Retailing

TV plug used to get new home-buyers' interest

by Warren Berryman

TWO industrial giants bought 10½ minutes of TV time on a Saturday morning for about $1000 a minute to reach new home-buyers.

Fletcher Challenge subsidiary Beasley Homes and AHI Fibreglass, broadcast a $30,000 joint promotional film at 9.45 am — just before regular broadcasting time.

Pre-promoted heavily in the press and on TV, the promotion was aimed at an audience of 1.7 million new home seekers at a time when they would be up looking through the properties for sale columns.

Chaired by TV personality Sharon Crosbie, a panel of "experts" gave AHI's Pink fibreglass insulation Batts and Beasley Homes a soft sell. The emphasis was on quality, not price. AHI's Batts are double the price of competing macerated paper insulation. And Beasley Homes is moving out of cheap housing into the $50,000 to $80,000 home market.

The panel consisted of lawyer Pat Castle, architect Tom Dixon, Doug Hitchcock of Fletcher Residential, and financier Dennis Jenkins of Marac (a Fletcher Challenge subsidiary).

AHI Fibreglass markering manager Matt Woodward said AHI realised the market for batts in existing houses was just about saturated, with 72 per cent of all houses insulated and 70 per cent of those with AHI Batts. Sales to existing home-owners were getting tougher, so it was decided to aim at the new home market, running at about 16,000 new building starts a year.

So why not tie in a builder with a complimentary position in the market and do a joint promotion, Woodward thought.

Beasley Homes was moving up-market from its traditional role of state-subsidised home builder. Woodward approached Beasley Homes and a deal was struck.

AHI is picking up all the tab for the advertising supporting both its product and Beasley's. In return for its advertising plug Beasley agreed to use AHI's Batts — which it had not previously used.

Beasley marketing manager, Nigel Marsholl said, "We used AHI Batts until two years ago. Then we were in the low-cost volume housing market. We've just re-opted for AHI Batts as we are repositioning ourselves in the middle market where price is not a question."

In a very soft sell approach the programme plugged Batts as thermally effective, not likely to blow about, free from corrosive chemicals, and fireproof. Viewers got a good look at the new swept-up sort of home Beasley is moving into.

Shipping

Three-ship Tasman service set up

by Warren Berryman

MARITIME Carriers (NZ) Ltd, a subsidiary of Waitaki NZR, will introduce a new three-ship liner service on the New Zealand coastal and trans-Tasman run.

The new service challenges Union Steamship Company's dominance on the trans-Tasman trade and offers some competition to New Zealand Railways in internal freighting. Maritime Carriers intends to set its freight rates at least 10 per cent below Union Steam's.

The service will provide Napier with a direct service to Australian export markets reducing the high internal freight charges to ship frozen vegetables, timber and wool from Napier to Auckland.

Waitaki's finance controller, John Van Beurten, sees the regular and cheaper service to Australia fostering the closer economic relationship with the country he deems "inevitable".

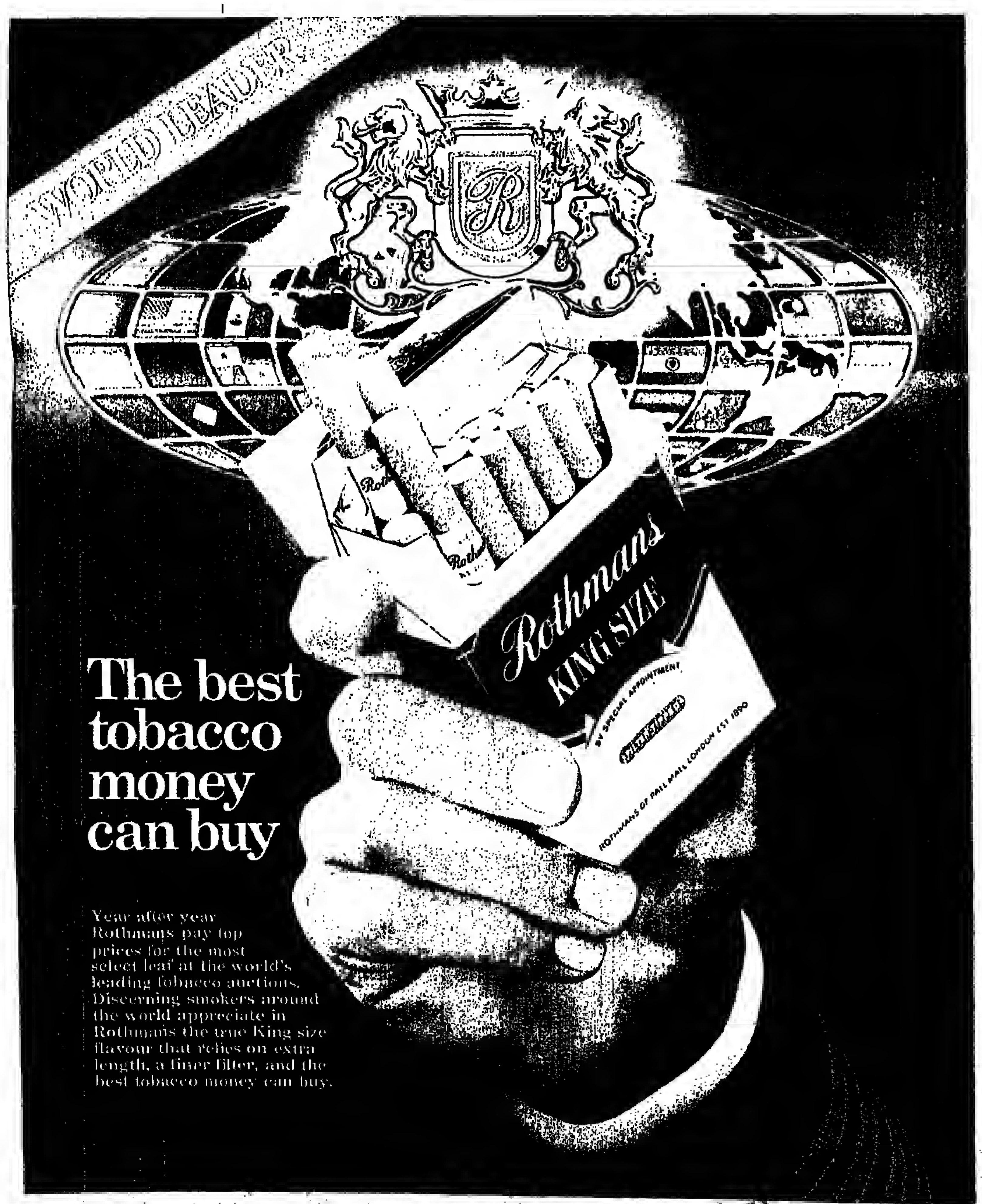
Maritime Carriers recently chartered the 4500-tonne roll/on, roll/off combination vessel Totara from Sea Containers of London.

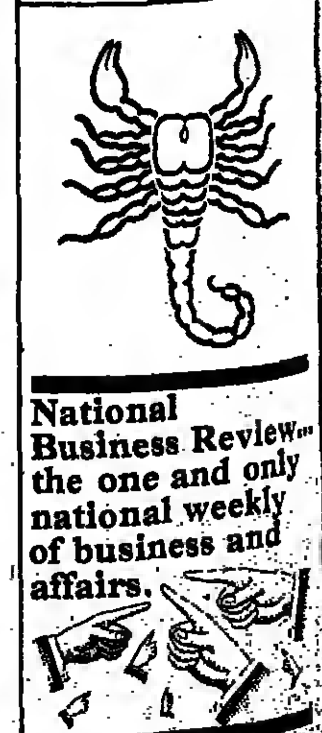
This ship, capable of carrying up to 300 containers which can be loaded and unloaded at conventional ports, does 15 knots. It will replace the Waitaki offering a faster (14 days return) service between Auckland, Sydney and Melbourne.

The Waitaki will be put on the Lyttelton-Sydney-Melbourne-Wellington-Lyttelton run. Coastal traffic will be carried on the Wellington-Lyttelton leg.

Maritime Carriers' bulk ship, the Dunedin, will be released from charter to Union Steam and converted to carry 80 containers on the Napier-Sydney-Melbourne-New Plymouth-Wellington-Napier trade. This ship will also carry coastal freight.

The Totara will remain a British flag vessel but will be manned by New Zealand Seamens Union crew. The ship is now in drydock in Australia being refitted. Part of this work is required to provide the accommodation demanded by New Zealand seamen.





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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

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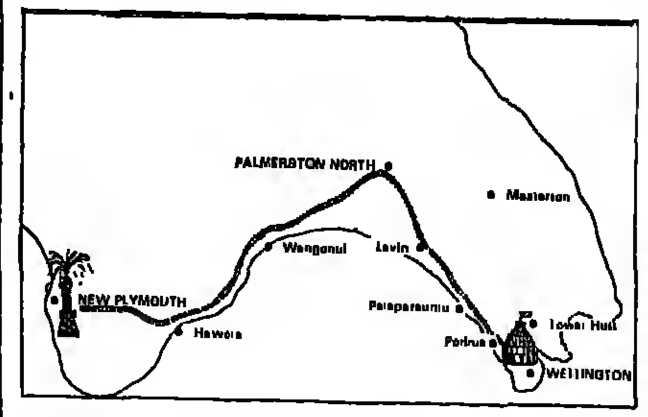
Inside

Palmerston plots counter-ploy to Auckland's spread



by Allan Parker

MANAWATU civic leaders and planners are thinking big — with proposals for a "development corridor" stretching from New Plymouth to Wellington to counter-balance the economic and social distortions created by greater Auckland.

That's the bold concept of Manawatu civic leaders and planners for the next decade as the region consolidates its economic strengths and looks beyond its boundaries to spur new development.

Palmerston North-based visionaries see such a growth corridor as part of the controlled development that has characterised the regional and city approach to economic and social activity in the past.

City mayor Brian Elwood and other local planners see Palmerston North expanding its role as basically a provincial centre into one with far more national importance.

In particular, they have identified what they believe will be key growth areas of the economy.

One, they believe, will be the Auckland-Hamilton corridor, with its large concentration of population and commercial activity.

The other key area in the North Island, under this scenario, will be what Elwood describes as a "development corridor" between New Plymouth and Wellington.

In Taranaki, New Plymouth is poised for a

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Official probe into Propsec

Frank Renouf..."molehill" Colin Patterson...curious

by Klaus Sorensen

THE Securities Commission is investigating the circumstances of the controversial City Realties Ltd takeover bid for fellow Wellington property group Property Securities Ltd.

The commission is particularly interested in the fact that City Realties has presented what amounts to a *fait accompli* to Property Securities Ltd and its shareholders by announcing it has control of 46 per cent of the capital.

And it will also seek to clarify the terms by which major Property Securities Ltd shareholder, New Zealand United Corporation, sold its shares to the National Insurance Company which, in turn, has accepted the City Realties offer.

National has 30 per cent of Property Securities and is a 25 per cent shareholder in City Realties.

Commission chairman Colin Patterson told *NBR* last Thursday — the day two rebel Property Securities Ltd directors publicly denounced the "shotgun merger" of the two companies and demanded a cash alternative for smaller shareholders — "I'm looking into the situation. Until this morning I didn't think we would but what has excited my curiosity is the report that City Realties holds 46 per cent of the capital of Property Securities.

"If that is so I would like to know how they got it — this is the first reference to my knowledge to City Realties having a 46 per cent foothold."

Asked whether the commission would be looking into NZUC's sale of its 23 per cent shareholding in Property Securities to National Insurance, Patterson told *NBR*: "My understanding is that NZUC got cash for its holding and so the question is 'are shareholders being treated differently and if so what is the justification for it?' "

The fact that Property Securities shareholders do not have a straight cash alternative

Continued Page 16

Merchant bankers opt out of NZOG

by Warren Berryman

AUCKLAND-based merchant banker Fay Richwhite and Co Ltd, offered to buy the entire "overhang" from the New Zealand Oil and Gas share float at par but pulled out at the 11th hour, leaving the underwriters to pick up the 60 per cent of unsubscribed capital.

New Zealand Oil and Gas's $20 million float was the country's biggest new oil company float.

As *NBR* went to press, it seemed that the underwriters, led by Renouf and Co, would be obliged to pick up about 25 million shares with a par value of $12.5 million.

Fay Richwhite director Mike Fay confirmed that his company made the offer for all the unsubscribed shares.

"But there were unfortunately conditions subject to negotiation with directors of NZOG and we couldn't reach a satisfactory conclusion," he said.

Fay would not be drawn on the reasons for withdrawing the offer.

NZOG's prospectus provides some hints as to what those reasons might have been.

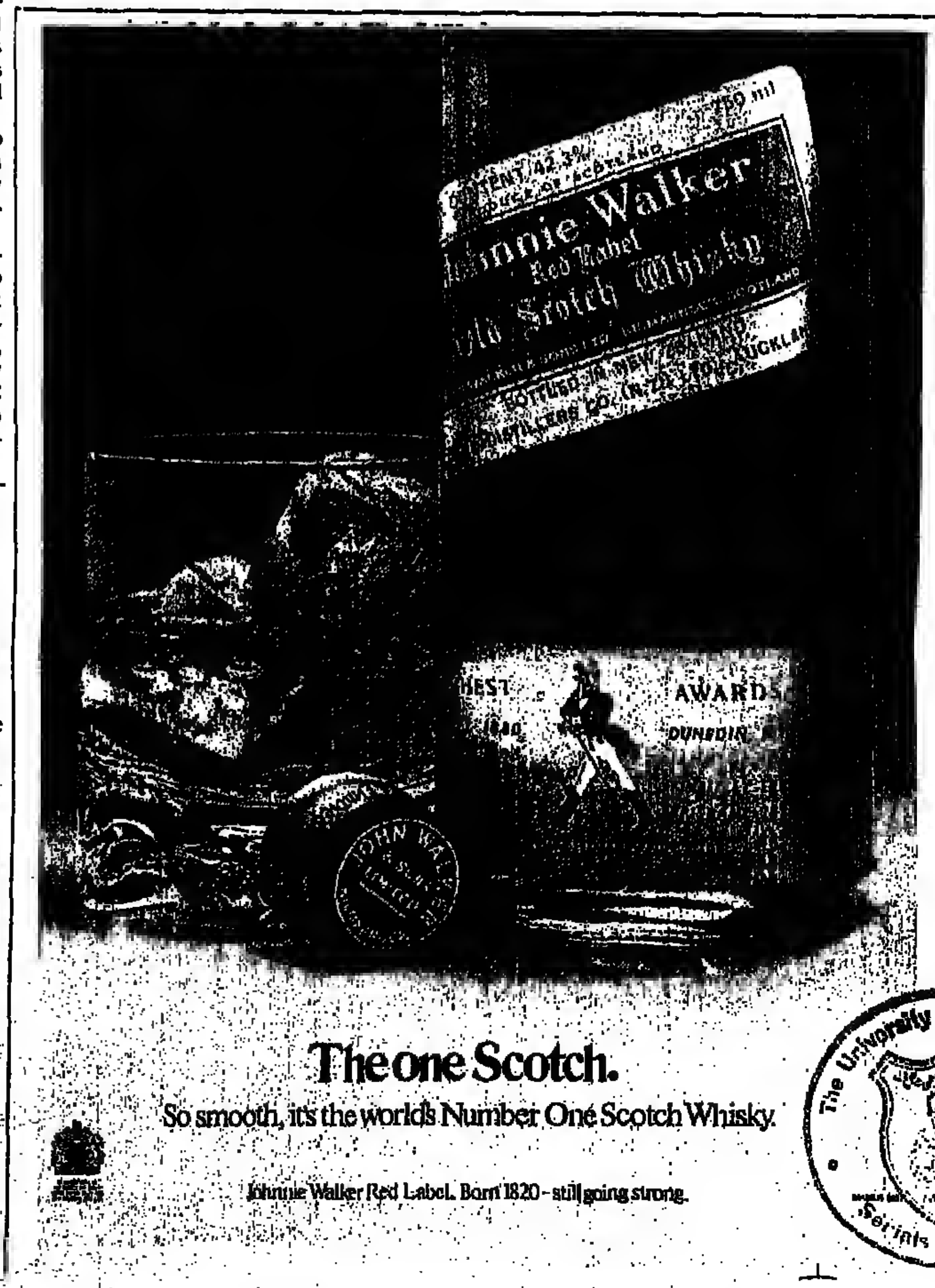
Anyone picking up the shortfall would have been in control of NZOG.

But Stewart Petroleum, a company combining Mineral Resources and Pan Pacific Interests, becomes a subsidiary of NZOG by means of a share swap giving Stewart Petroleum 10 million NZOG shares, or 20 per cent of the company's equity.

Stewart Petroleum was effectively selling its oil prospecting licences to NZOG for $5 million.

Options for another 15 million shares were open to

Continued Page 3



The week

Commodity brokers' top executive quits

by Claudia Perkins

SOUTHERN Cross Commodity Futures, billed as the country's "international commodities brokers", lost the services of Stephen Lunn, chairman of the New Zealand Commodity Exchange, after a wrangle over the remittance of New Zealand funds overseas to play the foreign futures markets.

Southern Cross will still be offering New Zealand businessmen the chance to hear "the world's highest paid investment consultant" Dr Harry Schultz, at cut-rate prires.

On the eve of Schultz's arrival to give a seminar ro 800 people in Aurkland today, Lunn quit as Southern Cross's managing director. American Lonnie Strirkert was installed in his place.

Adelaide-based Southern Cross moved from the gold coin and bullion market into the futures market before setting up an Auckland offire last July.

Acrording to Lunn, Southern Cross, as "market-makers", allowed New Zealanders to play the big overseas futures markets without transmitting money overseas. Southern Cross bought and sold futures to speculators at prires reflerting overseas prices.

Buying a forward contract for gold bullion did not mean the holder of the contract rould actually take delivery of the bullion. That would require Government premission, Lunn said.

But speculators were not interested in actually taking delivery of the goods, he said.

Lunn managed Southern Cross Commodity Futures through his own company, Southern Cross Gold Lease Ltd, a compsny created specifirally for that purpose.

Strirkert said Southern Cross was seeking Overseas Investment Commission approval to allow Australian ownership of Southern Cross here.

Lunn said there were several reasons for his departure, but essentially: "I believe the way in whirh I manage a rompany and the way in which they want the company managed are different. We have agreed to disagree on several points."

Lunn's departure was preripitated by an order from Australia instrurting him to transfer funds from New Zealand to Chicago.

"They felt that we had incurred a debt on their account which is impossible because of the way in which we are trading," he said.

"We have not been trading in a position where we were involving New Zealand clients here in any kind of transaction overseas.

"Our transactions have been internal, and that is the premise on which we can trade. We are not prepared to be flexible on demand."

The transfer of funds would have included clients' funds, deposits for speculation, according to Lunn.

Strickert insists that the money would have come from Southern Cross's sister company, Southern Cross Coins, and would have been payment for coins imported into New Zealand by Southern Cross Coins.

Week that was

EGYPTIAN President Anwar Sadat was assassinated by soldiers taking part in a military parade he was reviewing. Eight other people were killed and 28 wounded, including foreign diplomats at the parade commemorating the 1973 war with Israel.

PRIME Minister Rob Muldoon continued to dominate headlines both here and in Australia for his controversial public utterances at the Commonwealth Heads of Government meeting in Melbourne. Among the subjects: Gleneagles, the Melbourne Declaration, other heads of state.

THE Labour Party unveiled its economic and taxation policies for the November elections. Key points: "balanced" growth, tax-free basic incomes, more finance for smaller companies.

GROWTH strategy prospects continued to shrink with news that Mobil will not sign any binding contracts with the Government for the synthetic petrol plant until after the election. Fletcher Challenge high-rankers flew to Melbourne to tell Prime Minister Muldoon they are keen to proceed with the Aramoana smelter despite the withdrawal of partner Alumisuisse.

Finance

Fast-track sale for bargain-price Lancias

by Warren Berryman

COLIN Giltrap, king of Auckland's car market, saw a good opportunity when Britain cancelled a large order of Italian Lancias. And that's why Lancias sold like hotcakes $3000 to $4000 under their regular price in New Zealand last week.

One of Giltrap's companies, Torino Motors, jointly owned with Hugh Berry, picked up 300 Lancias at what Giltrap described as a "very good price".

Then Torino found the Grange Ace, a ship capable of carrying 4500 cars, was on its way to the United States Gulf and Australia. Giltrap said the shipping line wanted to make up a full load, as it took his 300 rars at a good freight rate and called in at Auckland where watersiders got first shot behind the wheel to drive them off the ship.

Giltrap said he was passing on his good fortune to the consumer. The Lancia saloon usually sold for $20,000 but his price was just $16,500, he said.

The swept-up Lancia sports roupe usually sold for $27,000, but Giltrap said his price was $22,000.

Trouble is there don't seem to be any left, only two weeks after they landed in Auckland.

Giltrap said most of the rars had been pre-sold before they arrived. If there were any left they might be in some country dealership, he said.

"We didn't advertise at all. All the cars were sold by word of mouth," Giltrap said.

"I'm trying to get another 100 cars at the moment. But we've stretched our import licence to the limit," he said.

Giltrap's partner in Torino Motors, Hugh Berry, successfully negotiated the importation of 300 Pony cars from Korea.

Australians clear air fare discounts for take-off

by Allan Parker

AIR fare disrounting — outlawed in New Zealand and subject of intense debate within the local air and travel industry — has been cleared for take-off in Australia.

Within weeks of an airline pact to stop selling discounted fares and offering rebates to travel agents in New Zealand, the Australian Government has decided that regulations requiring all international airlines to rharge government-approved fares is unworkable.

The Federal Government attitude was signalled by its decision to drop its case against six illegal fare discounters in Hobart.

Government lawyers said that berause Qantas — the offical Australian carrier — has been able to set its own fare since May (where parts with other countries allowed them to do so) "Qantas now has the ability, at least in relation to a number of its prinripal routes, to make competitive responses to market forces."

They added: "In the light of these developments, both within Australia and on the broader international scene, an approach more oriented towards industry 'self-regulation' of marketing practices is considered desirable."

Ironically, the same "self-regulation" approach has been adopted by airlines in New Zealand — but from a completely different angle.

Here, the airlines have moved to "self-regulate" their industry by agreeing to remain with the higher air fare structure and abide by Ministry of Transport regulations.

The Australian decision will hardly help any future industry rationalisation if closer economic relations proposals become a reality.

Merchant bankers say 'no' to NZOG

From Page 1

Stewart Petroleum, Mineral Resources and Pan Pacifir.

Anyone putting up 60 per cent of the rash to buy the share overhang might find himself in a minority shareholder position, if and when those options were exerrised.

Meanwhile the underwriters had to pirk up the unsubscribed shares for par when they were selling on the market for only 38 cents.

NZOG now has about 8500 shareholders with an average shareholding of $1000 earh — evidence that the big institutions did not rush in to buy NZOG shares.

The week

'Growth' falling apart? No, just not growing greatly

by Ann Taylor

SUGGESTIONS that the Government's growth strategy is falling apart are more illusory than real.

But the Government in effect is a victim of its own election-year publicity, aimed at billing to voters a packaged "growth strategy" of projects that would cure our economic ills if implemented in their entirety.

The refinery expansion and the second aluminium smelter were both private industry developments, not projects solely handled by the Government. The Mobil synthetic fuels project — a 75 per cent public enterprise — has merely been delayed.

The Government had known about Mobil's reservations for two weeks before it, unwittingly, announced them the week the other two hit the headlines.

Cost escalations at the refinery — an expansion which has been planned for the last nine years — are concomitant with the devaluing dollar, the increased cost of technology and the scale of the project.

The fact that it has been delayed again as costs are reassessed will ensure that the price is upped again.

The $1300 million construction figure given wide publicity is "idly speculated", according to *NBR* sources who put the cost at $2000 million. But really nobody knows the real figure because Badger Chiyoda, is reluctant to release its quote while Fluor is doing a competitive one.

The New Zealand Refining Company board met last Friday and the Government expects to be provided with the cost estimate later this week.

Ironically, while the Government talks about self-sufficiency in transport fuels, an expanded refinery configuration would itself tie us further into the imported oil syndrome.

Oil-producing countries, concerned to employ their people and keep their profits on-shore, are now building refineries and increasing numbers of tankers are being designed to transport refined product.

Energy Under-Secretary Barry Brill said the increased cost is "not a matter of great concern because it does not affect the relativities. When the 1979 estimates were done the price of oil was one-third of what it is now. There have been considerably improved capital structures to achieve operating efficiencies. There has always been a possibility for trade-off between feedstock and capital."

The smelter debate here has centred on the selling price of our electricity. The reasons Alusuisse gave for its withdrawal included the electricity price, but were more a reflection on increased freight costs and the impact the present aluminium market has had on that company's operation.

Fletcher-Challenge's Hugh Fletcher has said that his company might push for still cheaper electricity as a condition of the smelter proceeding with a new partner. But Innes Kerr-Taylor, president of the Electrical Supply Authorities, says the price has already reached "bedrock".

Whether Fletcher intends pressuring Government to look again at its condition of a 10 per cent real (above the rate of inflation) return on the sale of electricity remains to be seen.

But he is known to consider that a 19 per cent actual return (3 per cent real, assuming a 16 per cent rate of inflation) would be a business proposition, given the long-term security and take-or-pay arrangement that any second smelter would have to operate with.

Brill maintains that if the Government charged Fletchers less than it charges other consumers it would be, in effect, subsidising the second smelter.

The electricity price was increased, in effect, when Alusuisse said it could not guarantee the performance of the castor mill which would have provided employent and further added value to the product.

In the meantime Alusuisse's equity share in the consortium of $1000 will be shared out among the remaining partners or held in trust until a new partner is found.

The $2.5 million expenditure incurred to date on land purchase and preparation of the feasibility and environmental studies has been "divvied up" monthly by the partners.

Mobil and the Government were ready to sign the final contracts on the processing agreement between the Crown and the Synthetic Fuels Corporation, the shareholder agreement and a range of agreements governing the use of technology.

Mobil asked the Government to include an indemnity clause in the contract so that it would be protected from any changes an incoming Labour Government might see fit to make. But the Government would not agree to such a clause on the grounds that an agreement with the Government is just that and a possibility of a change of Government is irrelevant.

But sub-contracts for the project have already been let and more are in the pipeline. The memorandum of understanding that the project has been operating under is still in place, and there is no question of Mobil withdrawing funds.

Construction anyway was contingent on the final consent of the Planning Tribunal which finished its hearing last week, and the finalisation of funding agreements.

Mobil is continuing with its programme so that it does not prejudice the finishing date of the project and the economies of it.

The Government can be seen as a victim of circumstance. But an outcome of the present situation could be that the odds on NZ Steel's expansion have been shortened.

Just a few weeks ago that expansion looked ripe for the chop on the grounds of its economics. Australian depty Prime Minister Doug Anthony said of the project "the way it is being structured it has to be a sheltered industry. It just couldn't survive."

Brill said of NZ Steel's expansion, "it is not a question of whether it's built, it's a question of when. If the smelter does not proceed NZ Steel is doubly assured. There would be little delay in the expansion."

Week to be

MONDAY: Milk Board Conference, Gisborne, to Friday.

NZ Timber Merchants conference, Hastings, to Thursday

Royal Australian and New Zealand College of Psychiatrists congress, Hong Kong, to Saturday

TUESDAY: Wormald International NZ Ltd, AGM, Auckland

WEDNESDAY: New Zealand Jaycee national convention, Nelson, to Sunday

THURSDAY: Atlas Majestic Industries Ltd, AGM, Auckland

FRIDAY: Lane Walker Rudkin Industries Ltd, AGM, Christchurch

SATURDAY: Tectyle Rust Preventive Applicator conference, Christchurch, to Sunday

New Zealand Orchid Society seminar, Blenheim, to Sunday

SUNDAY: New Zealand Business Planning Society annual conference, Wairangi, to Tuesday

Indicators

THE average weekly expenditure of private New Zealand households responding in the annual New Zealand household survey for the year ended March 1981 was $232.66, the Government Statistician announced. This is an increase of 15.1 per cent over the $202.06 for the previous March year.

PERMITS authorising the construction of 1495 new houses and flats with a value of $64.4 million were issued in July, 1981, an increase of 19.9 per cent in number over July 1980 and an increase of 49.1 per cent in value. Total authorised dwelling units for the July 1981 year: 15,310 worth $597.9 million.

Farmland prices rose nearly 20 per cent in the first half of this year, according to official figures. In the year ended June 1981, the total increase was 30.5 per cent.

TERMS of trade for the 1981 March quarter were 77 (Base: 1957 = 100), a slight rise from the 75 in the preceding quarter.

Editorial

A SOUTH Pacific Aluminium pamphlet argues that our electricity resources are more plentiful and more economic to develop than those of most other nations. "That is why the Government and private sectors see New Zealand being a highly competitive retailer of its electricity resource in the international marketplace." The company has also impressed on us that the smelter "will be paying a fair price for its electricity which gives the Government a good basic return and which will rise with increases in the world price of aluminium." But now we find that what the Government presumably regards as a good basic return is incompatible with ideas of a fair price held by one of the consortium partners. And so Alusiusse has withdrawn from the project.

While Alusiusse's withdrawal effectively dashes plans for downstream industry and jobs based on output from the strip-casting plant, which required its expertise, the Fletcher Challenge group remains confident the project will continue — the castor plant had only a small impact on the economics and was not a significant part of the planned development; another partner is being sought; a new power-pricing deal will then have to be negotiated, we are told.

For political reasons, the Government has been just as keen to press on with a project that is a key part of its development — and election — strategy. It thus may be tempted to give way (and give away) on the power question if it means the project will proceed, especially now that other components of the growth strategy have struck problems.

The decision to site the $650 million smelter at Aramoana was made in December last year; the consortium then hoped to begin construction late this year or early next year. In January, a Fletcher Challenge negotiator said the final binding agreement between Government and consortium should be signed within a month "at the most".

But negotiations stalled on the question of supply. Full production had been planned early in 1986, but the Upper Clutha hydro development needed to ensure adequate hydro-electricity supplies for the smelter won't be finished until at least 1988. And so the Government has insisted on a detailed clause to allow it to reduce power supplies to the smelter at particular times — a tacit acknowledgement that, in a dry year, it would not have the power for both the national grid and the smelter. The need for caution was reinforced by the Energy Advisory Committee, which reported in May that, if the Government did not have the right to switch off power to the smelter in its first few years of operation, there would be difficulties in any low-rainfall year before the Clutha scheme came on-stream. The committee emphasised that the smelter would have a significant impact on all the country's major energy sources.

Net earnings of $150 million a year, about $30 million of this from processing at the castor plant, were initially predicted for the smelter. But in August, the public learned of a change of plan. The overseas partners were to take a greater share of the output from the castor plant, sheet aluminium would not be processed to the extent initially proposed, and the plant's output would be reduced by 20 per cent. The company declined to state publicly how much less the local partner would be taking. But behind the scenes, officials went back to the drawing board to check the impact on such fundamentals as power price and net foreign exchange earnings.

Energy Minister Bill Birch remained adamant that those changes would not make the Government rethink its support for the project — although he didn't then know what the economic effects would be. The Government would have considered a smelter even without the downstream processing, he explained.

South Pacific Aluminium stands to lose at least $1.5 million, invested in feasibility studies and Planning Tribunal work, if the smelter does not go ahead. There is much more at stake politically, if Postmaster General Warren Cooper is any authority. He told Parliament in June that, without the smelter, the southern port of the country would have no future.

And so we can expect the Government to carry on regardless, even if a modified smelter does mean cheaper power and fewer jobs, and to produce appropriate justifications irrespective of the revised economic benefits. After all — as Rob Muldoon assured us earlier this year — it has the best information available to anyone on the proposed smelter.

But if that be so, either the quality of the best available information is highly suspect, or the Government has been less than forthright in acquainting the public with the facts.

Just three weeks ago, after Government officials met with consortium representatives, there was every sign that a contract to proceed with the project was imminent. Birch said on September 22 that agreement on the basis for the smelter go-ahead was "not far away". An official said negotiations on a power contract agreement was nearly complete.

On September 28, Muldoon declared that "all the outstanding questions of any consequence" had been solved. "There is nothing now outstanding of any significance . . . It is just a matter of moving to the point of final agreement." Alusuisse announced four days later it was pulling out because the power price was too high and there were freight and marketing problems.

If that company's dissatisfaction had been known to the Government, the public was cynically misled about the state of the negotiations. If it went undetected there is cause for serious misgivings about the capacity of our officials to anticipate fundamental problems during their work on matters of crucial importance not only to the Government's development strategy, but also to this country's economic well-being.

— Bob Edlin

Without word of a lie

It's curtains, Gaddafi

COLONEL Gaddafi of Libya is too busy guarding his borders to make his own curtains. And he seems indiscriminating about where the material to make them comes from. Local design firm Nova Interiors is importing fabric from the United States and making it into curtains here to supply a contract for a 435-bedroom Grand Hotel in Tripoli. Nova thought there might be a hiccup in the contract when Ronald Reagan's planes shot a couple of Gaddafi's out of the skies, but he doesn't seem to mind.

Interesting twist

PRIME Minister Rob Muldoon seems to have had some success at frightening or bullying finance houses and others into holding off increases in interest rates.

But not all. At the very time he was waving his big stick a company called Protected Securities Ltd was sending out letters (dated September 30) to its investors with the following message:

"The present inflationary conditions justify some further increase in the interest rate on mortgage securities administered through this company.

"The board of directors have decided therefore to increase the interest rate to 18 per cent as from October 2, 1981." (The rate was 17 per cent.)

Protected Securities obviously did not get the message. Which is ironic: its letterhead names as its "secretaries" none other than the firm of Kendon, Mills, Muldoon and Browne, chartered accountants.

Win some, lose some?

LINING up for the casualty list during "think big's" current coma is a model industrial agreement at the Marsden Point Refinery expansion. After 22 days negotiations at the end of last year a construction agreement was reached with the preferred contractor Badger Chiyoda. A core tradesmen rate of $5.83 an hour (20 cents more than the Huntly power station) and a construction allowance of $1.83 an hour was negotiated.

Job training and consultation with unions on overseas skilled imports had all been sorted out. And, as the issue of redundancy rears its head, the agreement shines above others with a severance agreement of 48 cents for every hour worked.

The expansion would employ 1400 to 1500 people at construction stage and the site has already been cleared, levelled and offices built.

It is not the wages that have caused the massive escalation but unions are worried that a new tender might be made on different wage rates. And if Badger Chiyoda is given the heave-ho the current agreement will have no standing in law. The employers down the road are also worried that the rates might flow on down into Auckland town and upset the level of shop agreements there.

Backblocks outrage

INSURANCE folk down Taumarunui way don't take kindly to outlaw agents rustling their policy-holders. It just ain't ethical, luring policy-holders out of the corral with a more attractive deal. That's competition. And it just ain't on.

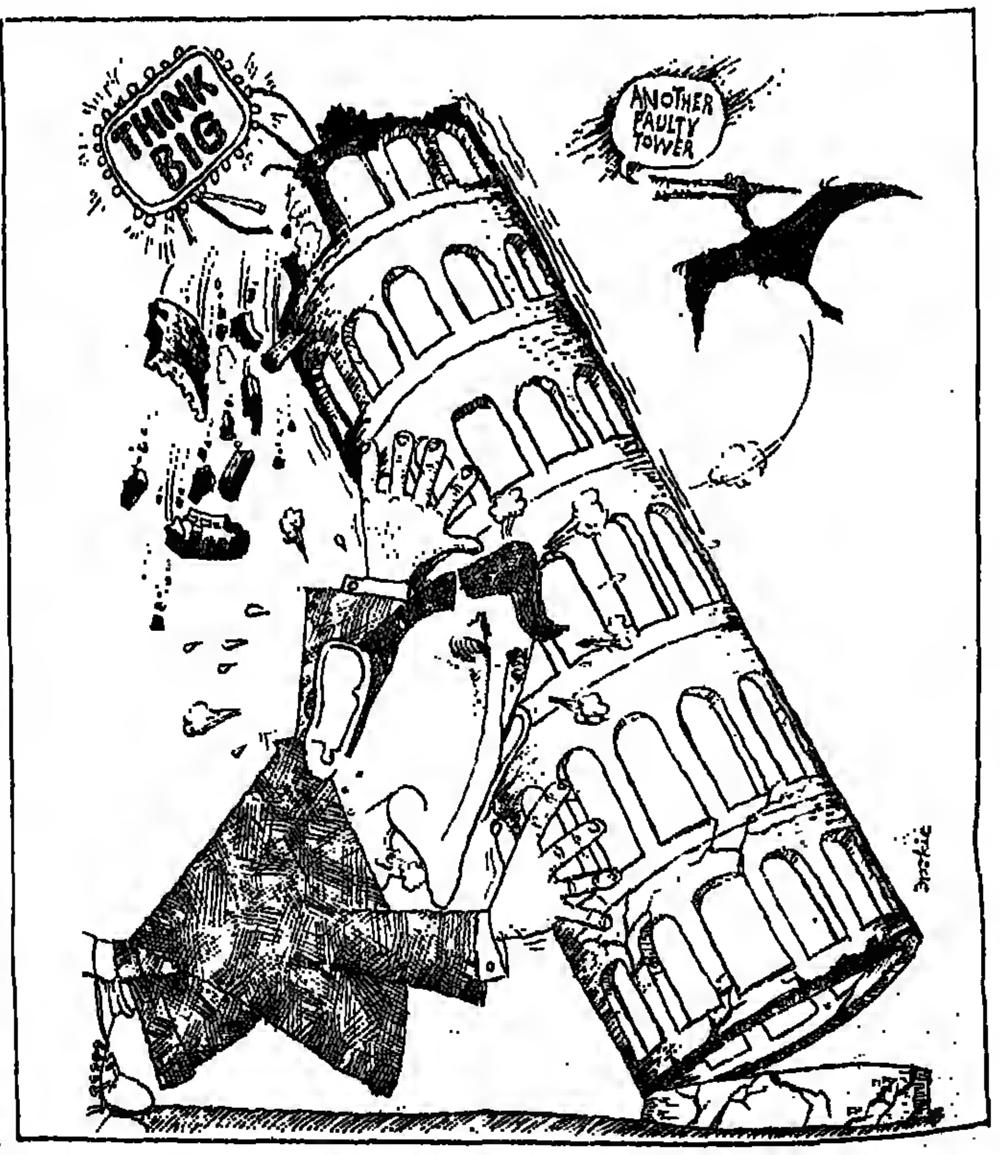
A posse of eight insurance men from Taumarunui's big seven insurance companies are gunning for the maverick from Guardian Royal Exchange, which doesn't hold with the Life Office Association's twisting agreement prohibiting one company selling insurance to another's client.

Notice has been posted in the *Taumarunui Gazette* under the heading "Life Insurance Ethics" and signed by agents from the AMP, Colonial Mutual Life, Government Life, Mutual Life and Citizens, National Mutual & Commercial Union, Norwich Union and T & G Mutual Life.

This notice said the practice of persuading policy-holders to surrender or terminate their existing policies with one office to replace them with another is unethical and "always" to the consumer's disadvantage, as the policy-holder doesn't get all that should be coming to him when he cancels a policy. Besides, he has to pay another agent's commission when he buys a new policy.

Guardian Royal Exchange's big bonchos in Auckland aren't pleased with the Taumarunui vigilantes' advertisement.

Brockie's view



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Electronic soothsayers miss 'how, why, when?' point

by Stephen Bell

THE Commission for the Future reflects a kind of "boy who cried wolf" image. Part of the time, one feels its adventurous painting of scenarios is just too far in the future and too improbable for the public, or Government, come to that, to make any useful "anticipatory decisions".

Particularly in the technology area, proverbial for its sudden unexpected turns, we risk ending up with what one usually gets from oracles — all the right answers to all the wrong questions.

But in the case of the Commission's *Network New Zealand* report, this suspicion is tempered by the feeling that the wolf is at the door already — that the first stages of Network New Zealand should be well in the hands of a Commission for the Present.

Instead, the most obvious opening moves towards the national network are struggling through a treacle of regulations and inter-departmental wrangling.

Videntex, the obvious way of introducing the public to electronically networked information — the path already adopted in France — nearly arrived last year, only to disappear back into a mess of argument over Government versus private sector participation.

With the CFF report stressing the need to build up our own expertise in the technology needed for the network, the biggest step actually taken towards high-capacity communication of data — the public packet-switching link — is being constructed by a French company in the face of bids from local industry.

The need for satellite facilities is strongly emphasised — yet we have already passed up the opportunity to participate in the Australian domestic satellite; present microwave links, the Post Office decided, were perfectly adequate.

Building of a grand nationwide informational network poses formidable problems for privacy; who is to control what personal data should be kept and collated on the network, and what legal safeguards should exist.

At present, we have precious few laws at all applicable to the problem, and, as the report points out, such laws as there are could be circumvented by swift electronic transmission across national borders.

"What is legal in one country may be illegal in another," says the commission.

The commission, by its very nature, takes a long-term and wide-ranging view. It has bombarded the public with a bewildering series of visions of the year 2001.

Video-telephones — who will want to get out of the bath to answer the telephone? — videntex access to databanks of Government information, referendum voting by way of terminals, the ability to sit in on teleconferenced debates, home education — and these are only the "baseline" services, to be provided free with Government support.

"Beyond these baseline services would rise a vast pyramid of information, educational and entertainment services that would be available to the subscriber on a user-pays or sponsored basis," says the report.

Instant person-to-person audio-visual communication via wristwatch terminals, the ability for the growing corps of information workers to work from a home terminal — all are advanced as feasible in the next 30 years.

Then, under the heading of "cautions", the commission talks about "information overload", the danger that "with a virtually unlimited number of media clamouring for eyes and ears, there is a tendency to 'turn off', which means that sometimes vital information may not be received or recognised."

Anyone ploughing through the 78 pages of predictions and consequences in the basic report — never mind the thick volume of background papers — is bound to end up with a severe case of information overload, and a difficulty in discerning the truly important or imminent aspects, the real cries of "wolf".

Lost in the assault of ideas, the public has significantly grabbed hold of the most readily appreciable question: Is the daily newspaper dead? An important question for many certainly, but somewhat peripheral to the main issues.

The commission is perhaps scared of offering too much guidance; there must, it reiterates, be public debate on the whole question. We dare not say to the public: "This is where you start." But perhaps somewhere in bold print in the report there could have been a few suggestions: "This is where we *might* start."

While it is laudable to keep one's long-range goals in mind and work back to details, it is a truism of the electronic information business that people don't know what they want until they see, feel and experience what they can have.

Even in the context of their own business, where they should know their informational needs, people have surprising difficulty in describing what they want from an electronic system.

But sit them in front of a terminal and show them *something*, and the ideas start flowing. "Can it do this? Can it give me that?"

We should unquestionably be giving attention to some of the larger policy aspects — how is control of the network and provision of services to be divided between Government and the private sector? What sort of legal framework should govern privacy, confidentiality, right of access to information?

But it is equally critical to get some of the basic bricks of that "vast pyramid" laid now; then the ideas might really start flowing.

Stephen Bell is NBR's computer and data-processing writer.

Letters

The true cost for smelter

THE smelter fairytale continues and Mr Muldoon informs us that the power price will now be 2.2 cents a unit.

It should be obvious to anyone with an ounce of grey matter that this is a figure released for political consumption. Smelter deals are collapsing in Australia despite power agreements in the region of 1.5 cents a unit.

Professor van Moeseke pointed out long ago that New Zealand has several disadvantages compared with Australia in making aluminium — we are further from world markets and we have none of the raw material, alumina.

These disadvantages were outweighed by New Zealand's cheap "surplus power", or so the Government made out to begin with. But unfortunately, as it turned out, there wasn't any surplus, and we are now being asked to believe that despite the original disadvantages of extra freight and lack of alumina — and now higher power costs in addition — that it is still economic to smelt aluminium here when it's dubious in Australia.

Well, my granny eats raw onions for breakfast and drives a V8.

The details of the deal are going to be made public — except for one or two small points that are "economically sensitive".

The only thing sensitive is the real price of power, and the sensitivity is not commercial, but political. In fact, as has been obvious all along, the power price will be close to 1.5 cents a unit.

Otherwise the project could not compete with Australia — or even with Tiwai.

The Government can't admit this, so there is a public declaration of 2.2 cents — plus secret agreements to make up the difference.

If you don't find this proposition sufficiently nutty you might bear in mind that this "2.2 cent power" will cost us 5 cents to make. Guess who will be paying the bulk of the bill?

Dave Witherow
Dunedin

Time to hold an inquiry

IT now seems clear that one of the early tasks of the new Parliament, whatever its composition, should be to set up another commission of inquiry into Social Credit. I would think that Social Crediters themselves would welcome this.

The numerous letters from supporters (*NBR*, October 5) with their widely varying interpretations suggest that the thinking of these well-meaning but terribly muddled people is more confused than ever.

Recently I had correspondence with one of their number in the *Dominion*. I challenged him to quantify the gap in the money supply which he declared was chronic and was told that this would be a job for the credit authority which the league proposes to establish.

In other words, although the party is promising all sorts of goodies through Reserve Bank "costless" credit it has no idea of the size of the gap it is trying to fill or even, with any certainty, that there is one!

The proposed credit authority will, in fact, be the Reserve Bank under another name and if Social Crediters would take the trouble to read Pages 716 and 717 of the 1980 *Yearbook* they would see that already the Government and bank have all the powers needed to control the issue of currency and credit. This is true in most countries and the reasons they do not always perform too well are mainly political, although there are lots of technical problems and always, of course, the unexpected happening.

Under a commission of inquiry, membership of which might well include somebody from a country where Social Credit is not a political issue, Social Crediters would find themselves compelled to set down in depth the basis of their financial policy with assessments of the famous gap on which their whole belief is based.

The message for electors is clear. Just ask the one question, "how big is this gap which you claim exists and how do you propose to fill it?" and do not be satisfied with the evasive answers so far received.

In the meantime, Social Crediters should try to divest themselves of the idea that every criticism of their policy is inspired by anxiety to defend some other party, mainly National; for example, "If it is all right for the Government to use Reserve Bank finance why not so for Social Credit?"

Had they done nothing else but follow the newspapers they would have seen lots of criticism by economists of the Government's use of bank credit and its inflationary effects.

J V White
Wellington

Accountability to taxpayers

BROCKIE, (*NBR*, September 21) shows a taxpayer lucky enough to have had the Government, in conjunction with Fletchers and Mobil, arrange for him a "statement of accounts" regarding what I take to be the "Think Big" programme.

Other taxpayers out here, at least many of the non-self-employed variety, are certainly exhibiting the same horror as Brockie's character; however, they are not as privileged as to have had an accounting by Government of what this programme is about.

Some system of regular and clearly defined statements would give us a better idea of where governments of the day are taking us; at the moment we can only guess where and in the absence of any such definition many people can only dig in for the worst.

Some of Kerry McDonald's recent comments are relevant here. He implies that with the community kept relatively ignorant of economic policy issues, opposing political parties often need to do little more than conduct public relations wars as they compete for office.

This is the situation in New Zealand today. McDonald's utterances over the years have stressed the point that a better method of arriving at decisions is needed here. We see much rushing to *a priori* judgments without consultation with the community that is to undergo the resultant economic and social change.

For instance, our annual Budget is a typical example of how New Zealand governments, unlike many others, can get away with letting the community know nothing of their forward programmes, their future intentions to spend that community's taxes.

We should be hearing more on this from some of the "alternative governments". Are they, if given power, going to manage our affairs any differently or will they simply proceed on some variant of the old pork-barrel theme?

Your paper is to be commended for its continuing discussion of economic policy issues. Your example is not followed by many, as McDonald implies. However, the extent of this problem is seen in his floating the idea, I quote "it could be there are enough selfish and shortsighted citizens who are benefiting from the present scheme of things, with no thought to the future".

After floating this idea, McDonald rejects it; however we shall never know if it has relevance until some political party arrives which is prepared to allow those who pay for the system to look inside it.

Tom McRae
Wellington

Water into wine

IS not the position now that the Wine Institute accepts figures (*NBR*, July 27 and August 3) which show that the industry is watering its wine far beyond the limits imposed by the regulations? Don't we as consumers have the right to expect action by the Health Department as the authority administering the regulations to make sure they are not flouted again?

A J Goldfinch
Wellington

Sweet 'n' sour economics

YOUR editorial (*NBR*, September 28) is delightful! Mr Muldoon is pictured as sugar-fattened on sweet advice because he has warned his servitors not to bring him anything politically sour. Three pages further on Colin James notes that the Government's fast track rush into the Think Big projects is hoped by National to be a vote-catcher and that they are committed to thinking big because they do not know what else to do.

Margaret Thatcher's persistence with actions which are destroying the industrial base of Great Britain is like that. She will not listen to any advice which points out that the application of orthodox economics monetarist policy is causing massive and growing unemployment.

The high inflation rate there was down a bit but is now up and rising. The recent London sharemarket bust shows that those inside productive business actually observe that Thatcher's policy is disastrous for them and not only to the unemployed.

If we are to struggle out of the present worldwide economic mess a basic rethinking and reshaping of the "science" of political-economy is indispensably necessary.

Mr Muldoon's persistence with out-of-date ideas as to what to do here in New Zealand is derived from his assertive faith in economics "science" which is 150 years behind the present existing factual structure.

John R Perkins
Tauranga

Politics

A pox on prancing ponces — and so say all of us?

by Colin James

THE most arresting bit of news on the foreign policy front this last turbulent week comes from Washington.

Apparently Gordon Christie, the grizzled old Labour MP for Napier who is retiring this year, dropped in on our top ambassador, Frank Gill, in Washington.

"Would you like to see round the embassy?" asked Frank, justly proud of the mock-medieval edifice.

Christie took up the invitation with alacrity, ruminating that "I probably will be here next year."

Partly, he was indulging in the old parliamentary one-upmanship game of "We'll beat you on November 28."

Partly, however, I suspect (for Christie has a shrewd head on him that is more percipient than it looks) he was making a backhanded comment on Gill's appointment.

"If it was good enough for you to get the job," he might be construed as saying to Gill, "it is good enough for me." And, for those who haven't got the message, Christie does not have a falsely excessive opinion of his own capability.

Gill was an illustration of the "ole mates" principle of Government. He replaced a senior career diplomat.

The point of the appointment of practical, down-to-earth Gill is simple: the world of professional diplomacy is full of poncey intellectuals.

They are the sort who argue over the placement of commas, or the injection of abstruse, epexegetic phrases in pious, platitudinous placebos like the Melbourne Declaration.

Like the Vienna Congress that redrew, but at a painfully slow pace, the boundaries of Europe's states after Napoleon's defeat, the prancing pirouettes of international prestidigitators often seem more like "dance" than "advance".

Take the Helsinki Agreement of 1975. Comrade Brezhnev has not exactly fallen over himself to make all things bright and beautiful in the Soviet Union since. Or Afghanistan.

The anti-ponce school in charge of the Government's foreign relations prefers the practice of practicality to the propagation of pointless principle.

Realpolitik rules, KO. If there's a problem a few mates can sort it out over a pork pie and a beer.

And do something useful. Leave it to the martini crowd and they will still be scoffing their cucumber sandwiches and adding extra syllables to their adjective-qualifying adverbs long after the starving generation in question has wasted away.

It is an appealing image for people short on long-distance *weltanschauung*.

Concrete facts and action are their preference. Things done to the point.

Pretty bits of paper don't impress them. All those blacks who put their names to pretty bits of paper still go on killing each other in the jungle. Right on, say the anti-poncists to someone who points this out.

The pro-ponce school, which runs through most foreign ministries, including our own (Hugh Templeton still hasn't quite shaken off the habit), can argue that:

- Dialogue is better than no dialogue;
- Agreement is better than no agreement;
- By definition, agreement can be achieved in international relations only by consensus;
- Consensus usually forces communique-drafters into poncism, because that is the only language to which people of vastly different points of view can put their name;
- Without this process, there would be no United Nations and, poncey or not, that greatest ever dance-not-advance palace has been a force for peace and has done some practical good on the ground;
- Sure, pragmatic, hard decisions to which people adhere — like agreeing to put another boat on the South Pacific run — are immediately useful and in that sense better than noble thoughts to which by and large people don't adhere, but the poncing can often over time change attitudes incrementally and so produce results more fundamentally constructive (and practically useful) than a series of unrelated *ad hoc* activities.
- Sure, countries still conduct their foreign relations according to hard-headed self-interest, but dialogue, poncey or not, can rub some sharp edges off. New Zealand has successfully traded on sentiment, for example, in persuading the European Economic Community to bend its self-interested rules on butter access.

A parallel in internal affairs: the National Party poncists who in 1979 and 1980 (but less in election year 1981) wanted more principle in economic management (free enterprise and the like) argued against myopic, *practical* ad-hocery on the grounds that its practice over 30 years had step by anti-poncist step taken them away from the society they eventually woke up to find they had lost and wanted after all.

A bit more ponce here and there, they argue, might have kept politicians' minds focused on that society and stayed their hand on some of those centrifugal decisions.

There is even a poncey word for this: statesmanship. Statesmanship is the focusing in a leader's manner and personality of the pursuit of long-term goals, into which framework practical decisions can be set.

This means the absence of cant and its obverse, petty put-downs. And it rules out the politics of the beer hall, mates with their arms round each other settling matters by the criteria of immediate self-interest.

The Leader of the Opposition made an unstatesmanlike foray into the labyrinth of Melbourne in circumstances which, had their roles been reversed, he would have rightly bawled out the Prime Minister.

The Prime Minister reacted with appropriate meanness, narrowing his eyes and hardening that ungenerous face of his at his return press conference last Wednesday and telling numbed reporters over and over again they should go and ask Bill Rowling who had paid his expenses in Melbourne (he having gone there to see a private company) and what had he promised it.

(What did the Prime Minister promise Fletcher Challenge and partner Gove, now bereft of Alusuisse, when they went to see him in Melbourne and came away so cheerful? Cheap enough power to get some other company in on Aramoana the week before the election?)

An expansive Prime Minister reminisced about his trip with jolly anecdotes about how he had put his arms around this or that black man and how they had had matey first-name conversations in which he always came out as a joker they all liked.

(All that was missing was the slides — "here's me with Robert (Mugabe) having a friendly lunch after I made that crack about him shooting people in the bush"; "here's me doing my impersonations of Julius (Nyerere) and that's him over there beaming with delight"; "here's Malcolm looking angry because I got the lead on TV — he's under great pressure, you know, though I think he'll hold on,")

According to this version:

- None of the black leaders wants a sports boycott (see, voters, we *can* have Springboks here with impunity), but, just to show who is the tough guy, New Zealand will pull out of Gleneagles if there is one;
- No one took offence at any of his clowning for the media (except for Mugabe who, poor fellow, took him up the wrong way);
- Everybody agreed with his derogatory description of the Melbourne Declaration;
- Everybody thought his version of the Gleneagles agreement should be written into the minutes, but no one wanted to stick his/her neck out, so it was not.

Corollary: all those nasty stories on the news media about *his* being odd-man-out and despised are fabrications of the journalists or disloyal Commonwealth Secretariat staff who would be better employed taking minutes.

A case in point is those stories about black leaders refusing, statesmanlike, to rise to his Gleneagles bait and give him a rough-house he could turn to election advantage back home: the authorised version is that if the Prime Minister had not threatened a debate on their human rights record, they would have been more uppity.

He showed 'em the need for respect for someone of his standing.

It was all good stuff. He went on for an hour and a quarter, far longer than his normal. Was it for that that he wanted, as he said, to be back in Wellington that night and so had left Melbourne early? To get his, correct, version across to his voters?

Labour MPs (well, some of them) were mooning last week that he was still hitting them where it hurt most — in the public bar. There the putdown goes over big.

He is playing for big stakes. High inflation; high unemployment; bits falling off the "think big" growth strategy (how does the water-into-shirts line go, if there is no smelter?): to battle out of that lot he needs to shift the election to a different level.

It might be working. Last week the post-tour euphoria which had Labourites crowing about an imminent landslide had evaporated.

We're in the silly season, so too much attention should not be paid to weekly or daily ups and downs. Underneath, the sleeper issues are still probably working: for example, the $140,000 to Duncan MacIntyre's daughter from the Marginal Lands Board; the big Labour promises . . .

Economics

The ERP factor — putting a price on protection

by Allan Parker

EFFECTIVE decisions to liberalise import licensing, secure closer economic ties with Australia or formulate industry development plans must take into account a fundamental factor — the amount of protection a local industry enjoys.

But that factor is the most difficult to measure accurately.

Just how much protection does an industry, or even an individual company, enjoy? Is the formula used to identify the level of protection equable or fair? Should industry groups be compared by using the same formula?

Those questions are critical for industries caught up within the modern mood of restructuring and export competitiveness, when their future structure and growth prospects are examined.

As the pressures increase to restructure our industry, demands for a uniform measure of protection on an intra-industry basis are likely to intensify.

One measurement that is being used increasingly overseas — notably the United States and Australia — is the Effective Rate of Protection (ERP) formula which tries to identify how much the "value added" (domestic input and profit) in an industry is altered as a result of protection.

ERPs have been used by the Industries Development Commission as the basis for import testing procedures which are aimed at measuring the efficiency of a local industry against an overseas competitor.

The Reserve Bank appears to have given its blessing to the use of ERP as an effective measurement. The official Reserve Bank *Bulletin* in August published Institute of Economic Research-provided ERP figures in an article examining trends in manufactured exports.

Despite that apparent official sanction, ERPs remain a matter of intense debate, not least among economists.

Manufacturers, too, are highly critical of ERPs as a measurement of relative efficiency. The Manufacturers Federation launched a bitter attack against their use by the IDC at a public hearing into the general principles adopted by the commission in its industry studies.

A major problem with ERPs is that to reflect the true rate of protection, they must be tested against exactly comparable goods from overseas — an impossible task in most circumstances.

Another difficulty is our import licensing system. Where protection is centred on tariffs, like Australia, accurate measurement is easier. But the quantitative effect of import licensing is hard to define; thus any calculation becomes much vaguer.

ESTIMATES OF EFFECTIVE RATES OF PROTECTION (ERPs) BY PRODUCTION GROUP 1978/79

Production Group		Effective Rate of Protection (per cent)
1	Agriculture	- 5.4
2	Fishing and Hunting	-12.9
3	Forestry and Logging	- 5.3
4	Mining and Quarrying	-16.3
	Total Primary	- 8.0
5	Food, Beverages, Tobacco	8.6
6	Textiles, Apparel, Leather	69.2
7	Wood and Wood Products	28.9
8	Paper, Printing, Publishing	9.8
9	Chemical, Petrol, Plastic Products	48.7
10	Non-metallic Mineral Products	17.1
11	Basic Metal Industries	3.7
12	Metal Products and Machinery	64.2
13	Other Manufacturing	76.2
	Total Manufacturing	36.1
14-25	Services	13.7

Result: the ERP of an industry starts from an imprecise base.

The Reserve Bank has "broadly" defined the effective rate of protection "as the margin by which the combined earnings of labour and capital employed exceed the amount those same factors of production would earn (in the same industry and at the same value of production) without the benefit of protective measures".

The NZIER's Des O'Dea has provided a simplistic example: "Take the standard textbook case of the shoemaker whose selling price in a free-trade situation is half-accounted for by the imported leather he purchases, and half by added value (wages and profits).

"A 50 per cent protective duty on shoes gives him nominal protection of 50 per cent. The effective rate of protection (ERP) on his activity depends on whether a tariff is also placed on leather.

"If not, his ERP is 100 per cent, and the shoemaking industry will tend to draw labour and capital away from industries with lower or negative ERPs; if the leather tariff climbs to 100 per cent or more, his ERP is zero or negative despite the apparent protection accorded his output by the tariff on shoes."

The table illustrates the latest estimates of ERPs across a broad section of industry groups. Clearly, capital or labour intensive industries (textiles, metal products, machinery) carry high effective rates of protection.

(The chemicals, petrol, plastic products category is less easy to assign its ERP — it carries such a wide range of products, illustrating a basic problem in determining ERPs, that broad categorisation can conceal wide-ranging differences within an industry.)

Other categories like food, basic metals and paper — industries based largely on processing of natural resources rather than highly-tuned manufacturing exercises — carry far lower ERPs.

Such an exercise is understandably fraught with difficulties, not least the political problem associated with getting general acceptance of an ERP as a basis for comparison with overseas competition and other domestic industries.

The manufacturers, for example, argue that "there are many other tools of analysis" other than ERPs which need to be applied to find out the economic contribution of an industry.

They particularly dispute the IDC's use of ERPs to find a benchmark ERP (60 per cent) beyond which an industry must prove more than cost disadvantage to justify continuing assistance.

They insist that ERPs must be used as a guide only, rather than as the critical determinant in assessing an industry's contribution to the economy and the consequent protection it merits.

But the IDC counters that the calculation of an ERP by using the "internationally acceptable" formula is essential.

"It has become imperative this standard methodology be added to the existing armoury of development tools . . ."

That is where opinion divides sharply within the ranks of economists. Because it is so imprecise and New Zealand research has been spasmodic at best, is it an acceptable formula?

Some Treasury and Trade and Industry officials are known to favour its use in general economic theory; others remain adamant that it is ineffective and, in line with the manufacturers' view, they think it should be used only as a guideline or starting point.

But a replacement is just as difficult to find. Like ERPs, most traditional formulas have intrinsic flaws that demand additional criteria if they are to be overcome.

But finding a universally-acceptable measurement is becoming increasingly important as political pressures call for a loosening of the rigidities in a manufacturing sector accustomed to state pampering.

Tasman seeking 'world price' from NZ buyers

by Klaus Sorensen

THE Tasman Pulp and Paper Co Ltd is renewing its attempts to narrow the gap between the prices it receives for domestic and export newsprint sales.

And the current subject of the Kawerau-based giant's attentions is its major New Zealand customer, the Newspaper Publishers Association.

Negotiations are currently taking place over the April 1982 six monthly price hike — with Tasman trying to extract more than the already agreed-on $25 a tonne increase from the newspapermen.

Tasman and the NPA have only just reached agreement on the latest price increase — but long term the two groups appear diametrically opposed on the question of whether Tasman should receive world price parity, after years of selling domestic newsprint to the NPA at a considerable discount on the world price.

A 5.8 per cent, or $25 increase, in the price of a tonne of newsprint took place on October 1, following the latest round of negotiations between the two parties, bringing the newsprint price up to $453 a tonne.

This is $100 a tonne more than the price earlier last year.

But while they have reached agreement on this hike, talks are continuing on the April 1, 1982 price increase which is set down to rise a minimum of $478.

And the two groups made it clear to *NBR* last week they are poles apart on what the newsprint price should be when the current contract runs out in December 1983.

Tasman is keen to seek a renegotiation giving it the equivalent of the world price — equal to around $670 a tonne in New Zealand dollars — and the NPA is just as determined that this will not happen.

In the meantime the NPA is sticking to its 1966 fixed-price contract — though it has recently allowed Tasman some inflation relief.

For Tasman, parity between international and domestic newsprint selling prices has become even more attractive over the last year with a steadily firming world price.

Tasman produces around 340,000 tonnes of newsprint a year, of which just under 30 per cent, or around 100,000 tonnes is sold locally.

On one hand, Tasman is selling two thirds of its production overseas at a US dollar price of around $500 (it has risen from $470 in the last couple of months) and on the other it is receiving much less for domestic newsprint sales, and the company can see a significant loss of profits in this.

The domestic business is worth around $45 million a year to Tasman, perhaps $10 to $20 million less than Tasman's overseas sales.

NBR sources believe Tasman will definitely try to move towards parity with the world price and say the company is considering various pricing formulae which it will put to the NPA when the main contract comes up for renewal.

Two of these include a local price based on the export price received by Tasman, plus local freight costs, or else the imported cif price, which would assume the newsprint was bought from North America.

"They are likely to come up with one or other of those, or perhaps something in between."

However, the source pointed out that Tasman would obviously be prepared to negotiate and would seek parity with world prices as an initial negotiating stance "after all, in general terms the NPA wants to buy Tasman's newsprint just as much as Tasman wants to sell to the NPA."

Tasman's associate director in charge of marketing, Gary Mace, told *NBR* his company would be seeking to close the gap between the local and domestic price, but as for the two formulae suggested to *NBR*, "we're just not that advanced in our thinking."

Mace said Tasman considered the world price of newsprint was the New York price — that of supplies delivered to the east coast of the United States.

It had risen to around $US500 in the last couple of months "and that's the price that sets the price for the rest of the world." This price was freight-adjusted for other markets, so that the price of newsprint in Australia was round $US570.

The New Zealand domestic price of $453 was therefore "substantially below the world price — and the price in New Zealand includes a delivery cost which is quite horrendous when compared with the cost of delivery to export markets."

Mace said it virtually cost the same to transport newsprint south to Christchurch as it did to export it.

So from that point of view the NPA was receiving "a substantial discount" when freight was taken into account.

He said he thought the price paid for Tasman newsprint in Australia, around $US570, was equivalent to between $670 and $680 in New Zealand dollars.

Mace claims the NPA contract was drawn up "before any awareness of the likely effect of high inflation."

NPA paper committee chairman Michael Horton told *NBR* "we wouldn't view with favour" any Tasman attempt to move domestic prices up to parity with world prices.

Tasman had received regular and voluntary price reviews to match inflation, he claimed.

Horton's justification for the NPA's concessionary price is simple: "We have a long-term fixed-price contract which requires a 2.5 per cent price increase annually — anything above that is subject to negotiation."

Apart from anything else, Horton says the NPA does not agree with the Tasman contention that the New York price plus freight is the world price. "We say that's nonsense; there are lots of prices — the Australian price, the Canadian price . . ."

Asked what other justification the NPA had for seeking a newsprint supply price below alleged world levels, Horton told *NBR* there was not the same freight element for newsprint manufactured in New Zealand. Tasman had access to cheap wood supplies, "they are very profitable, pay no tax and so the question of need doesn't arise."

Horton did not think there would be a big change in newsprint prices following the December 1983 renegotiation.

Even the 'Big Australian' can be brought down peg

by Klaus Sorensen

BEING the Big Australian isn't easy.

The Broken Hill Proprietary Company Ltd, to give it its full name, has decided to face up to the fact it is Australia's largest company, and has chosen this description to promote itself in media.

But to some shareholders and employees, BHP has become too big.

The company is currently plagued with industrial strife with its 74,000 employees, and as if to add insult to injury, the company's shareholders gave the directors a fair bollocking at the annual meeting two weeks ago.

There are 167,000 shareholders, though this figure has fallen gradually from a peak of 191,000 shareholders in 1974. But the turnout at the annual meeting, incredibly, was no more than a couple of hundred very middle-aged shareholders.

Just as incredibly, BHP has steadfastly refused to provide any refreshments for shareholders at the conclusion of the meeting, which is held in a cavernous Masons hall in a Melbourne suburb.

That seems to be part of the reason for the lack of interest the company's proprietors show in the company.

And allied with these problems is the fact that while the Australian Government has taken the lion's share of revenue from BHP's oil and gas production, it has refused to allow the steel division to depreciate its massive investment in capital equipment, at anything other than the statutory rate.

So BHP understates its profit by deducting some $228 million from its profit as a Fixed Asset Valuation Adjustment, and finishes up paying an effective 59 per cent tax rate on its reported profit.

Combined with the massive capital requirements ($597 million in the 1981 financial year) the company must set aside each year, the amount available for dividends is restricted.

The latest $263 million profit was $491 million before adjustment for inflation.

The company's dividend has grown from 15.25 per cent in 1975 to 15.75 per cent in 1978, 16.25 per cent in 1979 to 18.50 per cent in 1980 and finally 20 per cent for 1981.

Not the sort of growth one might expect from a Big Australian.

But despite the massive capital investment in the steel-making activity, and the modest net return per barrel of oil from Bass Strait, after government excise, BHP loses money from steel-making, and earns the bulk of its profit from the oil and gas division.

BHP's May 31, 1981 year profit was up 21 per cent to $263 million on turnover up 22 per cent to $4578 million.

The company's gross profit before Fixed Asset Utilisation (the Australian term for depreciation) was $1,149 million, less FAU of $419.5 million which included the company's own accelerated FAVA depreciation of $228.4 million.

Interest expense was $90.7 million and income tax was $376.5 million, leaving a net profit of $262.8 million. Minority interests and extraordinary items brought the net available profit to $266.8 million.

From a divisional point of view, the steel division increased its gross profit before FAU tax and financing charges, from $285 million to $299 million, but an FAU charge of $238.8 million, which included FAVA of $145 million, left this activity with a net loss of $39.6 million.

The minerals division, which is primarily involved in iron ore, coal and manganese ore mining, also suffered from a higher FAVA inflation adjustment and ended the year with a small $4.3 million net profit.

The recently acquired John Lysaght Australia Ltd division profit was $15.5 million, which reflected the continuing low profitability caused by difficulties in steel sheet and coil markets.

But like the corporate cavalry, the oil and gas division — with its 67.5 million barrel oil production from Bass Strait — came to the rescue with a net profit of $253 million, $53 million higher than 1980.

The increase in profit was the result of a greater percentage of oil production attracting more favourable quota prices in the Australian Government's rather complicated pricing formula and increased natural gas sales.

Total oil production was 6 per cent down on the year and profits were also affected by a decline in world LPG prices.

The average price BHP received from its Gippsland Basin (Bass Strait) rose from $5.63 a barrel to $7.77 a barrel, compared with the average price of $28.47 a barrel paid by the refiners for the oil.

Strange, you might say.

The reason is that the difference was collected by the Australian Government as an excise levy — which brought a total of $2786 million in revenue for the Government.

These factors have all combined to lessen the Big Australian's investment appeal, and the directors seem to be having difficulty in knowing what to do about it.

At the September 29 annual meeting the chairman, Sir James McNeill, had little cheer for shareholders with his "cautionary note" about adverse trends in the business environment.

The steel industry outlook was none too good, even though the Government has finally moved towards allowing accelerated write-off for tax purposes for new facilities in the basic iron and steel industry.

Sir James noted that while the downturn in the industry removed any need for expanded capacity for some years "there is still a need for very considerable expenditure in the industry."

He told shareholders world steel trade remained depressed, and predicted overcapacity would continue "until there is a substantial and sustained recovery in the world economies, and meanwhile large surplus tonnages of steel will continue to be offered on the international market at distress prices."

Combine this with a lack of cost recovery domestically, "excessive losses due to industrial action and progressive erosion of our domestic market by imports, the economic basis of our steel-making industry is clearly under severe strain."

And since steel accounts for "by far our greatest investment and over two thirds of our workforce, this outlook is a matter of deep concern to the board."

So no wonder BHP is stepping up its development of coal and oil and gas.

The company is spending $300 million on developing a coking coal deposit in the Bowen Basin in Queensland, and is actively developing substantial steaming coal deposits at the Hunter Valley colliery in New South Wales.

The oil and gas division is now spending more than $40 million a year on exploration and in the Bass Strait Gippsland Basin BHP, along with partner Esso, is undertaking a three-year drilling programme of 35 wells, with an expenditure by the partners of $150 million.

Sir James concluded his address by saying the directors did not expect the 1982 profit to match the record figure of the year just ended.

A combination of this, and the fact that Sir James's 11-page speech took some time to read, seemed to leave shareholders a bit gripey.

The Australian market's shakedown the day before, which saw BHP shares down to $10.20, certainly didn't help.

One shareholder noted that while the board (seated on a stage some distance from shareholders) might regard the 1981 result as satisfactory — "It wasn't a satisfactory year for shareholders."

The shareholder noted this time last year the share price had been $15.85 — and even adjusting for the 1-for-8 cash issue, the shares ought to be selling for just over $15 a share.

He reasoned that at the previous day's sale price of just over $10 a share, shareholders had lost $1380 million from the value of their investment — equivalent to 12 times the dividend.

Another shareholder argued that while the directors were asking the unions to moderate their pay claims and abandon attempts to secure a 35-hour week, they were not averse to seeking shareholders' sanction for a sizeable increase in directors' fees.

In spite of the shareholder's exhortation for them to "lead by example", the directors stuck to their claim — that fees hadn't been increased for a couple of years.

The same shareholder also asked the chairman whether the directors were satisfied with their $1 million Channel Nine television programme (BHP sponsors the prime time *60 Minutes* current affairs programme using its "Big Australian" slogan).

Sir James told the meeting, "We've had good feedback from the programme — I think it's called *60 Minutes*."

But the shareholder who got the most applause was the one who told Sir James "surely the Big Australian could get approval from its finance committee for a couple of pounds of biscuits and some tea."

Sir James said he would take "careful note" of the question of light refreshments.

But as the directors left the nearly two and a half hour long meeting in a fleet of limousines, a number of shareholders were left muttering that they had heard it all before.

Finance

The business week

Alloy Steel (NZ) Ltd has been removed from the Stock Exchange lists following the virtual completion of takeover by **Farre Dunedin Engineering Ltd.**

Alliance Textiles Ltd: Unaudited after-tax profit for July 31 year was \$5.556 million (last year \$1.218 million) from which was deducted a \$821,500 future restructuring provision. Additionally, \$688,722 capital profits were earned. A final tax-free dividend of 7 cents a share for December 2 payment and a 1-for-8 bonus issue have been recommended.

Beach Petroleum: Net costs of operations for the year ended June 30 was \$4.422 million (last year \$2.715 million). No dividend has been declared or recommended.

Bridgevale Mining Ltd: Unaudited after-tax profit for the months since incorporation till July 30 was \$107,680.

Burns Philp & Co: Final dividend of 11 cents a share payable on November 27, books close at end of trading on October 30.

City Realties has lodged a takeover offer for the balance of fully paid shares it does not already hold in **Property Securities Ltd.** Directors of the takeover target issued a "not to sell" notice.

CBA Finance Holdings Ltd will issue bonus shares on a one to ten ratio on December 1 to shareholders registered before November 18.

Collingwood Holdings Ltd has sold **Johnston's Blue Motors Ltd** to **South Pacific Travel Ltd.**

Colonial Motor Company: Unaudited after-tax profit for May 31 year was \$2.701 million (last year \$2.544 million).

Comalco Ltd cut the price of all primary aluminium products by \$175 a tonne.

Henry Berry Ltd has issued 115,000 ordinary shares in part settlement for further expansion in its subsidiary, **Hylin Holdings Ltd.**

Lane's Industries Ltd is issuing a bonus on a one to five ratio to shareholders registered before October 16.

James Smith Ltd: Unaudited tax paid trading income for August 1 year was \$506,000 (last year \$414,000). A final dividend of 13 per cent is recommended.

McAlpine Prestcold Ltd: Unaudited net profit for July 31 year was \$774,850 (last year loss was \$296,785). A final dividend of 5 cents a share, half of which would be tax free, is recommended for December 10 payment.

McKechnie Brothers (NZ) Ltd: Audited earnings for July 31 year were \$3.016 million (last year \$2.169 million), including tax credit of \$280,000. A final tax-free dividend of 11 cents a share is recommended for December 7 payment.

MIM Holdings Ltd has bought 16 per cent of issued and outstanding common stock of **Asarco Inc.**

Mineral Resources (NZ) Ltd is seeking \$4 million to finance additional operations over the next 18 months. Shareholders have been offered a renounceable rights issue of two shares for each five held at a 30 cent premium.

New Zealand Cement Holdings Ltd: Unaudited after-tax profit for July 31 year was \$2.883 million (last year \$1.271 million). A final tax-free dividend of 7.5 cents a share (unchanged) is recommended for December 4 payment.

NZIO's directors alloted 128,368 fully paid \$1 ordinary shares to the NZIG employee share purchase scheme. Issued capital now comprises 6,007,246 fully paid \$1 shares.

Exchange rates

AS at October 8, NZ dollar sells at:

Britain	.4416
US	.8285
Canada	.9956
Australia	.7179
Fiji	.7249
Austria	12.74
Belgium	30.68
China	1.4173
Denmark	5.8731
France	4.6951
Greece	45.91
Hong Kong	4.9716
India	7.4135
Ireland	.5128
Italy	975.24
Japan	188.71
Malaysia	1.8932
Netherlands	2.0278
New Caledonia and Tahiti	82.28
Norway	4.7584
Pakistan	7.9926
Portugal	52.32
Singapore	1.7432
South Africa	.7739
Spain	77.11
Sweden	4.5249
Switzerland	1.5528
West Germany	1.8332
Western Samoa	.8553

Stock Exchange weekly review

FOR WEEK FRIDAY OCTOBER 2 TO THURSDAY OCTOBER 8

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	80	85	80	1100
6% pr	128	---	---	0
Ajax G K N	416	...	...	0
Alcan, 50c	171	171	188	2800
A H I	280	280	278	37400
Alliance, 50c	156	180	136	162500
12% conv pr	150	150	130	2700
Allflex	156	156	146	38580
Allied Farmers	340	345	340	5800
12% conv pr	375	---	---	0
A M Bisley, 50c	230	230	228	14900
Ampol Pet, 50c	247	---	...	0
A Beavan	145	145	143	10000
11.5% conv pr	130	135	130	8200
18 con pref	135	138	135	1800
Andas Group	160	182	160	2300
5-8.5% pr	40	--	--	0
12% conv pr	132	132	132	180
ANZ Banking Group	355	380	355	10080
A Wright	370	---	---	0
'A' 6-7.5% pr	70	--	--	0
'B' 5-6% pr	80	...	...	0
A Barnett	380	385	380	300
A Ellis	55	55	55	14000
Ashby Bergh	390	---	---	0
A O Cables	335	335	335	100
Atlas, 50c	72	73	80	22500
10% conv pr	70	70	87	7000
Auck Gas	275	275	272	5500
Aurora, 50c	248	250	240	8400
10% conv pr	200	---	---	0
14% conv nts	100	108	108100	
A C I	270	---	...	0
Autocrat Sanyo	330	330	320	2300
Ballin, 50c	75	75	75	3800
Ballins, 50c	123	125	123	108400
11% conv pr	113	115	113	1400
Bank NSW	490	---	...	0
Beach Petr, 50c	445	---	---	0
Bendons,	177	182	172	50800
Bing Harris, 50c	105	105	100	74400
B N Z Finance	418	418	418	350
Bridgevale Mining	105	110	105	13000
Brierley, 50c	480	480	445	89200
18.75% spec pr	105	105	105	500
Bos, 50c	90	93	88	9700
B H P, 200c	1900	1000	1900	560
Brother, 50c	100	---	---	0
Bunting, 50c	225	230	220	19700
C P O	320	330	315	21800
10% conv pr	360	---	...	0
C F M	380	360	355	2300
12% conv pr	220	220	215	2300
Cant Flour	220	...	...	0
Cant Timber	450	450	450	33700
12% conv deb	400	400	400	1800
Capital Radio, 25c	115	...	...	0
Capital Life, 50c	88	95	95	300
Carbonic Ice	280	...	...	0
Carter Holt	385	380	383	20900
CBA Finance, 50c	335	335	330	17000
CCL	285	270	285	7700
Caramco	250	250	247	31000
12% conv pr	170	...	---	0
18% red spec pr	400	---	---	0
Chenery	320	320	320	3600
Ch'ch Gas	300	300	300	500
Ch'ch Press	400	...	---	0
City Realties, 10c	55	55	55	1000
Clyde Group	120	120	120	800
12% conv pr	120	...	---	0
Collingwood, 50c	55	55	55	300
13% conv pr	50	52	50	3400
Col Motor	325	325	325	100
Colyer Watson	105	110	105	1800
Comalco, 50c	235	235	235	500
Command	230	230	225	1300
Con Metal, 50c	173	...	---	0
conv pr	200	200	200	200
Con Minerals, 4c	17	17	16	6000
Cooks Wine	110	113	106	12700
Cory-Wright	200	---	...	0
12% conv pr	225	...	...	0
18.25% conv pr	200	...	...	0
Crown Consolidated	235	235	225	31500
11% conv pr	220	220	216	600
C S R	775	---	...	0
Cue Energy	16	16	17	168300
Options	6	6	6	175000
Dalgety (NZ)	285	265	260	6000
Dalhoff & King, 50c	58	56	56	3700
Daenee	175	---	---	0
D I C	225	225	216	2300
12% conv pr	167	167	167	1600
Dingwall & Paulgar	295	300	260	13600
D McI Wallace, 50c	85	96	63	16500
12% conv nts	75	75	78	1000
11% nts '82	102	102	102	600
Dom Brew, 50c	114	114	111	45600
5% pref	60	--	--	0
11% conv pr	77	77	77	600
Donaghy's	165	165	165	76000
12% conv pr	170	---	---	0
DRG, 50c	110	110	105	3800
Dunlop (NZ)	370	370	370	1100
4.5% pr	55	---	---	0
Ebbett	150	150	150	100
Ebos, 50c	130	130	130	4000
E Lichtenstein, 50c	400	400	365	7800
Emperor Mines, 10c	178	---	---	0
Endeavour	175	180	175	6800
E Adams	230	---	---	0
Europa pref nt	62	--	--	0
F T C, 50c	138	139	130	21800
11% conv pr	107	107	105	1800
F Walmsk, 50c	65	--	--	0
Feltex, 50c	176	180	178	74800
5% pr	40	--	--	0
16% pr	177	179	177	6700
Firestone NZ	135	135	136	200
Fisher & Paykel	320	320	312	6300
Fletcher-Challenge	228	230	224	334800
15% conv pr	103	103	102	3300
16% conv pr	385	385	385	2300
Fountain Corp	85	85	95	1500
Foveaux Radio	100	100	85	2100
Freightways, 50c	186	185	184	50700
10% conv pr	147	---	---	0
Gest Meat	66	87	85	6800
11.5% conv pr	85	85	85	400
G Court	170	—	---	0
G J Coles, 50c	400	—	---	0
Golden Bay, 50c	87	70	68	29800
Goodman Group	212	220	200	54400
14% conv pr	205	—	---	0
Grosvenor Props	80	80	85	3300
Hallenstein	285	285	285	2800
Hauraki Enterprises, 25c	137	137	137	4800
Hawkins, 50c	114	114	108	5000
8.5% pr	28	---	---	0
H B Farmers	280	262	280	3700
13% conv pr	176	---	...	0
Healing	173	175	187	11300
12% conv pr	200	200	200	500
H Pollard	240	240	240	200
10% conv pr	400	...	...	0
Henry Berry, 50c	205	205	200	7500
Holeproof	245	245	245	4000
Hume Industries	195	195	195	8300
5-7.5% pr pr	40	..	--	0
I C I (NZ)	205	205	205	7000
Ind Broadcasting	80	--	..	0
Independent News	183	183	183	10100
Ind Chem, 50c	225	...	...	0
I Watkins-Dow, 50c	212	212	205	4600
J Hardy Impoy,	240	250	240	18300
James Smith, 50c	88	--	--	0
14% conv pr	50	60	80	300
12% conv pr	54	..	..	0
J Burns	98	98	98	18200
14% conv pr	215	215	215	200
John Edmond	230	230	230	8000
J Webster, 50c	80	80	77	8000
12% conv pr	66	..	..	0
J Nathan	150	150	150	500
J Rattray	265	265	254	3200
12.5% conv pr	210	...	...	0
L W Reidkin, 25c	106	107	101	58900
12% conv pr	135	135	135	500
Lanes, 50c	135	135	118	15900
L D Nathan	225	225	223	15400
9.5% conv debs	227	...	...	0
15.5% conv pr, 90	215	...	...	0
Leyland, 50c	170	170	170	200
Lion, 50c	157	157	154	83200
10% conv pr	186	166	183	10000
12% conv pr	130	130	128	21400
L & M Oil, 50c	33	33	32	20500
Lustreoid	240	240	240	500
Mainzeal Corp, 50c	220	220	220	1100
15% conv pr	120	...	...	0
Mair, 50c	315	315	315	1300
11% conv pr	350	...	...	0
Manawatu Knit, 50c	110	...	...	0
Manawatu Radio	117	...	...	0
Manthel	225	...	...	0
Marac	183	185	183	114400
McAlpine, 50c	135	135	135	100
McKechnie	230	...	...	0
Midland	220	...	...	0
11% conv pr	200	...	...	0
Min Resources, 20c	70	88	70	28800
M O'Brien, 50c	65	85	85	2700
12% conv pr	60	60	60	100
16 conv pr	51	..	..	0
Montana, 50c	150	150	146	17700
M-P I M	215	215	215	300
Motor Holds, 50c	186	170	187	13400
Motor Trad, 50c	85	85	95	500
5-6% pr	82	--	--	0
11.5% conv pr	82	--	--	0
MSI Corpn, 50c	85	85	83	25800
12% conv pr	85	85	85	1100
Mt Cook	203	212	200	8800
conv pr	180	160	175	10800
M I M Holds, 50c	776	...	...	0
Nat Insurance, 50c	290	300	290	8100
Naylor	145	---	---	0
5% pr	30	..	..	0
Neil Holdings, 50c	85	88	83	18800
N Z Cement	145	145	140	2700
N Z F C, 50c	150	155	150	8400
11% conv pr	140	---	---	0
N Z Farm Fert	205	206	205	36800
12% conv pr	200	200	185	1000
14% conv pr	170	170	170	100
N Z F P	333	334	326	36300
N Z I G	416	416	416	22200
NZI 10% conv pr	240	240	240	1700
N Z Light Leathers	50	50	50	200
N Z Motor Bodies	60	60	70	86500
N Z M C	162	167	162	16200
N Z News	230	230	230	68700
N Z O G	39	38	38	427500
N Z Petrol, 50c	250	250	250	300
N Z Refining	150	---	---	0
NZSB	84	85	63	221800
N Z Steel	206	206	205	137800
N Z United	560	560	560	500
Nuhaka	165	---	---	0
Odlins, 50c	84	85	63	74600
'A' 6% pr	20	--	--	0
12.5% conv pr	65	65	65	3000
'B' 13% conv pr	70	70	70	1200
15% con notes	114	115	113	28700
Optical	60	60	58	1500
12% conv pr	60	50	50	300
Otago Press & Prod	160	160	160	500
Pavroc Holdings	240	---	---	0
P O L Holds, 50c	312	312	310	2300
Perm Invest	86	98	96	200
Printing & Packaging	166	168	197	4700
11.5% conv pr	160	180	175	2100
Progressive	167	170	165	33200
12% conv pr	410	---	---	0
Prop Securities, 50c	260	260	250	200
Prud Building	120	120	120	400
Quill Humphries, 50c	110	110	110	200
12% conv pr	110	---	---	0
Radio Avon, 25c	130	---	---	0
Radio Otago	100	---	—	0
Regina	180	150	150	800
R & W Hellaby	102	102	100	13800
Reid Farmers	410	410	400	17300
Repco (NZ), 50c	75	80	73	37200
Revertex	325	325	325	2600
Rex Consol	320	---	---	0
15% conv pr	180	---	—	0
Rheem, 50c	165	180	166	2400
Rothmans, 50c	180	160	158	18200
R W Saunders	320	320	320	1300
Salmond	235	235	235	25000
Sanford	380	380	355	2700
pr	385	---	...	0
12% conv pr	348	---	---	0
12% 'B' conv pr	325	---	---	0
Schofield	210	210	210	5650
Scott, 50c	66	102	88	3800
12.5% conv pr	60	--	--	0
Selby	285	---	---	0
Skellerup, 50c	330	338	390	2200
5-7.5% pr	40	--	--	0
Smith Bioleb, 50c	148	165	148	3200
12% conv pr	175	---	—	0
Smiths C M	175	175	175	3100
Sthn Cross Hotel	235	---	---	0
Sthn Cross Mins, 20c	38	36	36	2000
S F M	265	266	285	9200
Spedding, 50c	75	77	73	4400
12% conv pr	76	..	..	0
Steel & Tube, 50c	125	126	123	56500
Suckling	165	165	165	200
Taylors	145	145	145	100
12% conv pr	175	175	175	100
Taitherm	160	180	155	2500
12% conv pr	145	...	...	0
T J Edmonds	280	280	280	3100
Tolley	165	165	183	2800
Tourist Corp of Fiji	40	--	--	0
Trans Ashburton, 50c	62	82	62	600
TNL Group, 50c	118	176	112	83200
10% conv pr	65	95	88	100
12% conv pr	107	107	107	300
Trans (Nth Cant)	142	142	142	8000
13.5% conv pr	115	...	...	0
15% conv pr	115	...	...	0
U E B, 50c	116	118	111	80300
8.5-7.5% pr	120	...	...	0
12% conv pr	100	107	100	4400
15% conv pr	02	62	56	25100
United Bldg	125	...	...	0
United Publishing, 50c	245	245	245	4500
Vocation, 50c	90	90	08	4700
12% conv pr	85	--	--	0
12.5% conv pr	75	75	75	200
Visionhire,	126	126	123	22100
Waitaki-NZR	232	235	232	16700
11.5% conv pr	195	190	185	2700
Walker & Hall	460	...	...	0
Wattie, 50c	197	198	183	61900
12.5% conv pr	110	110	108	7000
18% conv pr	170	170	108	3500
Welgas	420	...	...	0
Westbridge	195	195	195	1000
Wilkins & Davies	330	330	325	2300
5.75-7.5% pr	80	60	00	2010
W Jeffery	155	155	155	300
12% conv pr	140	...	...	0
Wilson & Horton	420	430	420	1500
Wilson Distillers	155	...	...	0
Wilson Neill	97	100	97	11700
12% conv pr	155	...	...	0
Winstone, 50c	75	76	74	187800
12% conv pr	50	50	58	6300
W'Wths (NZ)	73	..	..	0
Wormald	335	335	335	1000
5-7.5% pr	100	...	..	0
W Sutherland	110	110	110	1600
Yates Corp	395	395	390	7800
12% conv pr	160	180	180	100

Securities Commission investigates 'merger'

From Page 1

offer in front of them prompted two directors, National Party president George Chapman (a founding director and deputy chairman) and Wellington solicitor David Gascoigne, to publicly criticise the City Realties offer.

They claim that anywhere between 15 million and 25 million shares are being offered as consideration and this will depress the City Realties share price on the conclusion of the bid.

They say small shareholders ought to have a cash alternative and are understood to be unhappy that the Property Securities directors have been placed in a position where they are unable to make a decision on the offer, because of the actions of the major shareholder, NZUC.

However it is unclear whether NZUC was aware of the City Realties intention to make a bid — and what the consideration for the National Insurance purchase was.

NBR understands negotiations are still taking place over the payment by National to NZUC for the Property Securities shares, but that a shares and cash deal is most likely.

However NZUC chairman Frank Renouf (also Property Securities chairman, and founder of both companies) refused to supply *NBR* with any information last week.

NBR asked Renouf if the sale of the shares had been for cash. He replied: "I don't want to go into it, I'm too busy and I don't want anything in the press about this — you're making a mountain out of a molehill."

Asked if NZUC was aware that National would support the City Realties bid when it sold the Property Securities shares, Renouf declined to answer saying, "George Chapman has for some reason or other made a statement . . . I believe he ought to get on with the job of helping to run the country . . . he had no authority to do it, as far as Property Securities is concerned.

"I believe George has made a mistake, but he has done it himself and so he must answer the questions."

Asked if there was ill feeling between himself and Chapman, Renouf replied, "you would have to ask him that."

Renouf then repeated his assertion that it was a "mountain out of a molehill" and when *NBR* suggested the circumstances of the NZUC share sale to National Insurance might be a matter of public interest, he replied: "I don't really think so; shareholders can sell out if they want to — there's still a market for the shares."

National Insurance secretary Russell Hendry, who is also a City realties director, told *NBR* he could not comment on the circumstances of his company's purchase of the NZUC shares in Property Securities.

Asked if National was aware of the City Realties plan to make a takeover bid when it bought the NZUC shareholding, Hendry replied: "You are really asking the wrong man — I'm a City Realties director as well — but what I am aware of and what National Insurance is aware of are two different things.

"I think it would be safe to say that National Insurance is interested in being involved with a strong property operation."

Hendry denied National had bought the shares to throw in more support for a City Realties bid — "no, we were quite happy to have the shares irrespective of the outcome."

The latest developments are part of a lengthy saga which has developed between City Realties, Property Securities, NZUC and National this year.

It began in March when City Realties and Property Securities announced they were holding merger talks. These subsequently resulted in the abandonment of the merger plans — because of difficulties in merging two companies with different concepts of property investment.

Then in June Property Securities reported it was soon to receive a takeover offer from "another listed company".

A couple of weeks later NZUC confirmed it was bidding for the company, but this takeover bid failed a month later when Property Securities directors said an independent valuer had placed a higher value on the shares than the $2.30 offer.

This, together with the lack of a straight cash alternative to the proposed share swap, meant they could not recommend the offer.

On August 8 NZUC announced it had sold out to National at $2.50 a share, and a week later on September 14 City Realties and Property Securities announced they had reopened their merger talks.

City Realties chairman Selwyn Cushing told *NBR* last week the attempt by the two rebel Property Securities directors to gain a cash only offer alternative would not succeed.

"They pleaded their case last week — but it wasn't to be — we have always been working on a merger basis."

Asked if National was aware of a City Realties takeover or merger plan before it bought the NZUC shares, Cushing said: "No it wasn't; it was after that that City Realties decided to go ahead and we prevailed upon National to do the same deal as we were offering to everyone else — it was an arms length transaction."

Cushing also denied that City Realties knew of the National plan to buy the NZUC shares before it was announced. "We thought the NZUC parcel could have been for sale, after the abortive takeover attempt by NZUC, and that turned out to be the case."

Computer sales slump raises 'shakeout' fears

by Stephen Bell

A CURIOUS slump in the small computer and peripherals business, over the past three months is seen in some quarters as early warning of the long-awaited "shakeout" of an overburdened market.

Some companies, particularly the smaller firms buying in hardware and re-selling it — equipped with their own software (OEMs) may not survive the damage inflicted by this unusual hiccup, or may be forced to retreat into other areas of the market.

The pattern is an unusual one; the April-June quarter is more often the slow period, and business begins to pick up in July.

This financial year began particularly well, said Frank Ollie, of David Reid Data Products, and everyone was expecting a bumper second quarter. Then the dip hit.

"The printer and terminal markets virtually disappeared overnight," said Ollie. Other lines, like David Reid's new Q series integrated mini and the "phenomenal" success of the accessories market helped save the situation for the company.

Several other companies with a finger in the OEM and hardware reselling business concur; but none seems able to single out a reason for the decline.

Companies consulted by *NBR* blamed everything from the US dollar exchange rate to the weather.

"Everything got a bit sour with this lousy weather, but the day the weather improved, we got our first big order," said Basil Orr, of Control Electronics.

Orr's business is chiefly in the schools market, where orders have been hamstrung by uncertainty over the DFC-backed Poly system, he said.

But in the ordinary small business market "the money-go-round just hasn't been going." Customers, he thought, were waiting for payback from their own debtors before indulging in the expense of a computer system.

But according to others, there has been "plenty of money around; people just don't seem to be buying."

The problem could simply be "information overload" from the customer's point of view, many sources suggested.

The market has become increasingly diverse, with micro and minicomputer merchants popping up all over the place, hotly competitive with each other and keen to put themselves in the public eye by participating in exhibitions.

A trip round some of the recent computer shows may have left the potential buyer bemused and taking rather longer to reach a decision.

Most of the hardware comes from the United States — though an increasing proportion is made in Japan — and exchange rates must obviously take part of the blame.

Profit margins on small computer hardware have been cut down and have left the OEMs with precious little room to charge extra for software, particularly for individual tailoring of software to meet customers' needs more exactly, said one source.

Some companies, however, seem to have weathered the slump to the same extent — or at least are just a little more cautious with their comments. Gary Tennant, of J P Scott, conceded that "it wasn't a boom period for OEMs," but said his company had other irons in the fire.

Companies with interests outside hardware re selling have survived best. Idaps had seen several potential small system customers coming into the bureau, said Wellington manager Gary Hawks.

With an increasingly "cut-throat" market in minis and micros and management becoming more aware of the true cost of computing, the whole question of the in-house machine was "coming under the microscope".

Idaps farmed off its OEM interests into a separate company, Isis.

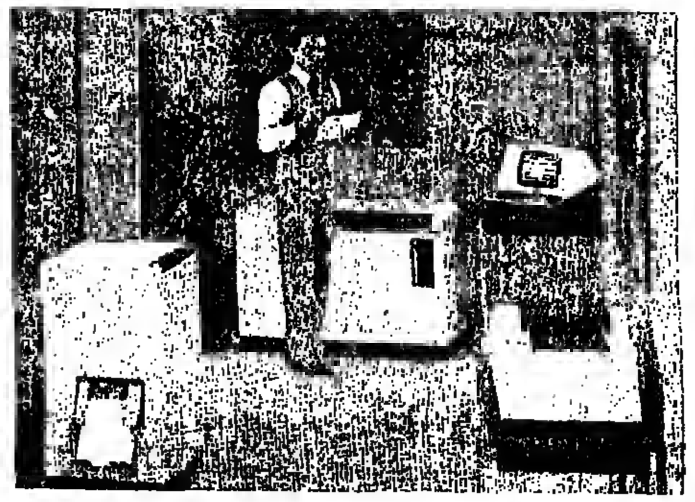
Isis is unlikely to close, but Idaps is considering a "restructuring" move, combining some of the OEM activities with other strengths of the main company. There will, for example, be more attention to large projects, using the company's consultancy and project management skills.

The dip in business was not the sole reason for restructuring said spokesman Neil Cullimore, but it was certainly a factor.

Cullimore favoured the "overload" theory. "Compared to 12 months ago there are far more suppliers, particularly in manufacturing, which is one of our specialist areas. Companies are realising that there are more practical alternatives, and are taking longer to make decisions."

Conversely, some companies felt it was their attention to narrow specialist markets which saved them from any noticeable impact. The strategy of concentrating on particular computer applications is increasingly being used as a way out of the hotly competitive general business market.

While some companies claimed they had not been affected at all, even those who had been hurt agreed that the worst seemed to be over and sales were picking up.



But the market seems to have been given a scare, and will be a little more careful about its business predictions from now on.

If some smaller ventures have not already been irreparably damaged, the shakeout could begin in earnest the next time business gets bad.

Business

Analysing annual accounts: Mount Cook Group

by Klaus Sorensen

CONSIDERING the Mount Cook Group Ltd increased its net profit by 100 per cent for the May 31, 1981 financial year, the company seems to have a lot of complaints in its latest annual report.

But closer inspection of the company's profit and loss account shows the bulk of the profit increase was due to the proverbial "stroke of a pen" — in the form of the new export performance incentive for qualifying tourist services.

In fact, the company's finances — Mount Cook is heavily fuel, labour and capital-intensive — were under as much pressure as ever with turnover increasing 21.8 per cent and operating expenses following close behind with a 20 per cent increase.

And that was after the inclusion of the export benefits.

Managing director Philip Phillips begins his comprehensive review with the statement, "the year past has not been an easy one, although on the surface results would seem to belie that statement."

He describes it as a year of mixed fortunes and changing circumstances.

He says a number of factors had an effect on the net profit for the first time with "the major impact coming from the new export performance incentive for qualifying tourist services."

This amounted to $846,428 and helped lift pre-tax profit by 78 per cent.

But to an extent it really only helped offset extra costs in the aviation division of $1.1 million, as well as the domestic travel tax, the aviation fuel tax, and increases in airport and airways dues related to both of these.

The company attempted to recover these cost increases through fare increases but this move was "demonstrably counter-productive as evidenced in the passengers carried" with a 13 per cent drop in total aircraft loadings for the airline division.

The tourism industry has long claimed it deserved some benefit from the overseas revenue it attracted and Phillips says the export performance incentives "are a welcome recognition of the tourist industry's overseas exchange-earning capability; to this group they are substantial, and as was intended by the Government, will encourage us to intensify our promotional activities in overseas markets."

Another boost to the finances came from an increased shareholding in Travelodge New Zealand Ltd, and the resulting boost in investment income received.

The profit and loss account shows gross revenue increased from $32.7 million to $39.4 million and total operating expenses were up from $31.2 million to $37.5 million, resulting in an operating profit up from $1,143,000 to $1,954,000.

In addition, dividends received were up from $78,000 to $280,000 and capital profits were up from $167,000 to $242,000, leaving a total pre-tax profit of $2,476,000, compared with $1,392,000 last year.

The notes to the accounts on taxation present a detailed explanation of how the company arrived at a $121,000 tax provision on a $2,476,000 pre-tax profit.

Deductions from the pre-tax profit include the $522,000 of non-assessable income from dividends and capital profits, the export performance incentive of $846,000, investment allowances of $100,000, timing differences not recognised of $163,000, plus tourist promotion expenditure of $893,000 and "other" of $171,000.

This produces taxable income of $1,909,000.

Taxation at 45 per cent is $859,000 and from this is deducted a tourist promotion expenditure credit of 67.5 per cent, which is equivalent to $603,000.

This gives current taxation payable of $256,000, less deferred taxation in respect of timing differences of $8000 and taxation overprovided in prior years of $127,000.

However, it seems this modern miracle of taxation accounting will confuse most shareholders, and it might have been an idea to include an explanatory paragraph to assure shareholders it is not all done with mirrors.

Note 19 on investment income shows dividend received during the 12 months ended May 31, 1981 included the following two finance dividends from Travelodge: for the year ended March 31, 1900 $64,000 and for the year ended March 31, 1981 $214,000, a total of $278,000.

Note 11 shows the valuation of shares in Travelodge has been increased from $834,000 to $2,989,000 following an increase in the shareholding from 25 per cent to 33.3 per cent and a revaluation of the investment by $1,407,518, "to recognise the current market value of the shares".

Note 2 shows an analysis of gross revenue and operating expenses, where gross revenue consisted of operating gross revenue of $38.6 million and the export performance incentive of $846,000.

This compared with operating gross revenue in 1980 of $32.4 million.

The breakdown of operating expenses is a curious affair in that it shows total operating expenses up from $31.2 million to $37.5 million, but with the largest component of operating expenses being "operating expenses" of $34.2 million ($28.1 million in 1980).

But shareholders will cease to puzzle over this strange lack of disclosure when they come to a colourful chart, showing an analysis of revenue and expenditure, in the back of the report which provides all the information they require.

The chart shows a cents per dollar contribution from airlines of 43.1 cents, landlines of 21.5 cents, travel offices and tour operations of 16.8 cents, freightlines of 10.2 cents, car dealership of 5.0 cents and skifields at a surprisingly low 3.4 cents.

"Salaries and wages" is by far the largest component of how the revenue dollar was spent at 26.8 cents. Purchases for resale are next at 16.6 cents, then fuel at 13.9 cents, repairs and maintenance 11.3 cents and "all other expenses" at 10.6 cents, which does not include such items as insurance, interest, depreciation, lease charges, commissions etc.

Phillips says in his review that given the current economic conditions "and their continuance for the time being at least, one runs the risk of repeating oneself *ad infinitum* by saying that this has been a difficult trading year."

He points out that the company shares with only a few other New Zealand companies "the problems associated with being concurrently energy-intensive, capital-intensive, and labour-intensive, we may have to accept that every year could be difficult."

Phillips expresses the hope that fuel price hikes may be slowing down — which would not be a bad idea since in the last financial year the fuel cost for airlines, coachlines and freightlines increased by $1.1 million to $5.2 million, or by 27 per cent.

But the Government's efforts to seek increased revenue from the industry weren't far behind in contributing to the cost increases.

The report points out that not only did the Government introduce a 5 per cent domestic travel tax, but because this tax was recovered in the form of increased fares, this attracted extra payment in airport and airways dues coming to 11 per cent of total revenue.

So the fare increase which had to be applied to recover both the tax and the related increase in airport and airways dues totalled 6.5 per cent — "and had the effect of further dampening demand for our airline's services. . ."

Phillips also makes the point that while the income tax bill was significantly down because of deductions allowed against an increased promotional expenditure overseas "we are still paying very large sums of money to the Government: the fuel tax on the airline, the domestic travel tax, airport and airways dues and road users charges totalling more than $2.75 million per annum."

Another irony in the company's activities is that during the year the company chartered out its surplus planes in the off-season to overseas operators — which earned a net revenue of $1 million, and after deducting expenses "this policy earned us greater profits than would have been obtainable through domestic operations in New Zealand."

The report hints that the company has put its plans to take over some domestic routes from Air New Zealand and to begin a trans-Tasman air link, on the "slow track".

Phillips explains that the announcement in August 1980 of Mount Cook's intentions to start a trans-Tasman airline operation followed "to a degree" the frustrations the company had experienced in obtaining suitable trans-Tasman space for potential skiing visitors from Australia.

Now it has been decided that "with the limited management resources the group necessarily maintains, priority had to be given to the planning and evaluation of other major projects such as the projected Remarkables skifield."

As for further third-level airline aspirations, should Air New Zealand withdraw from some routes," we would only consider applying for licences to operate any such routes if we believed that we could make them profitable.

Phillips says this would seem unlikely without a complete rethink of the present approach to the operation of such routes.

"It now seems unlikely that any major changes will take place in the course of the current calendar year."

ELECTION WATCH '81

Accountancy

Has the baby gone out with the bathwater?

by David Underwood

HAVE we thrown the baby out with the bathwater? That's the question being asked by professionals about some of the implications of the amendments to the Companies Act, which came into force earlier this year.

The amendments, which took effect on April 1, 1981, give to a receiver or liquidator the power to attempt to recover company losses from the directors and/or the company secretary.

Most of the changes are an improvement, but . . .

- From now on, you should expect to give a receiver an indemnity — he can't afford not to have one under the stringent laws now in force;
- Expect many chartered accountants to decline to accept positions as company secretaries unless they are in full financial control — their own assets may be at risk, not just the company's.
- Expect directors to take a closer look at their own liabilities, in future — they, too, as officers in the company, may be personally liable if the company accounts are not adequate.

The intention of the legislators was that an honest director, or an honest company secretary, should not be blamed for any company default. But the amended Act does not say this, and the final interpretation must rest with the courts.

The Companies Act was last fully reviewed some 25 years ago and came into force in 1955. There have been major changes in commercial practice since then but we are still working under the same basic Act.

A full review has not been a high Government priority but there have been major reviews and amendments to various parts of it over the years. Most professionals familiar with the Act would agree that a major review would be of benefit but meanwhile reviews of certain sections must be regarded as progress.

In commercial terms 1955 was a long time ago, particularly in an age of takeovers, mergers, spectacular financial crashes, and severe boom-and-bust cycles — to say nothing of syndication, unit trusts and inflation.

The 1955 Act has been hard pressed to keep up. There have been 16 amendment Acts; 1965 and 1971 were vintage years, as both years saw two amendments.

When introducing the latest amending Bill to Parliament Justice Minister Jim McLay said: "This is a long and complex Bill to review the provisions of the Companies Act 1955 relating to windings up, receivers and managers and a remedy in cases of oppression."

The end-result has been a major change in the ability of a receiver or liquidator, acting on the creditors' behalf, to endeavour to recover company losses from the directors and/or the secretary.

This article was specially written for National Business Review by David Underwood, a member of the national tax advisory committee of the New Zealand Society of Accountants.

Underwood — and, from time to time, other nominees of the Society of Accountants — will provide a regular column for the advice of NBR readers and the society has undertaken to have its experts examine any query from readers about matters raised in these columns.

The Act has imposed rather severe but still uncertain responsibilities on these officers and in certain indefinite circumstances they may be personally liable for company debts.

No one can be sure and no one will know what the real added responsibilities are until some cases have been through the High and Appeal Courts.

It would take a whole issue of *National Business Review* to detail all the changes but the following are some of the major ones:

Receiverships

If you are appointing a receiver you can expect to have to give him an indemnity. Many receivers previously have worked without an indemnity and have relied on their own judgment, but not now.

Notice of the appointment must be advertised twice in local newspapers, which means that all creditors will know the position.

Section 345A gives the High Court power to relieve the receiver from liabilities arising from defects in his appointment.

Section 345B imposes a legal duty on the receiver to use all reasonable care to obtain the best price for property sold by him.

Section 345C enables the receiver to make calls for unpaid capital while Section 345D permits him to use the company's common seal. These are all good moves which will assist with the administration of companies in financial difficulties.

Secretary

The secretary is an officer of the company and commits an offence if he is classified as an "officer in default". Section 463(2) has the definition and an offence is committed when he knowingly authorises and permits the default, or knew or ought to have known but did nothing to rectify the situation.

If the secretary meets this definition then he may be personally liable for the company's debts.

Directors

Directors are officers of the company so the rules about officers in default apply to them. They run a special financial risk if the books of account are not adequate and, in the opinion of the court, the lack of adequate records has either contributed to the liquidation, created uncertainty as to the company's assets and liabilities or has impeded the winding up.

Section 151 relating to the keeping of accounting records is the section causing the most uncertainty. It deals with their retention, their content and their location.

You may be for the high jump if the High Court does not agree with the adequacy of your records and the fact that personal assets may be at risk has been of major concern to professional accountants. They are, therefore, reluctant to accept appointments as secretaries of companies that are not under their direct control.

Many are resigning as directors because of the possible risk — a problem not restricted to New Zealand. In the United States many major corporations are unable to obtain a full board of directors because of the legal requirements and responsibilties imposed on them particularly by the Securities and Exchange Commission.

Most of the provisions of the amendment Act are an improvement, but it will place a restriction on the much-favoured procedure of "freezing" creditors' accounts, and trading on, in an effort to recover the financial stability of the business.

This often meant the appointment of a suitably-qualified chartered accountant as secretary and director of the company to take control of the business on behalf of the creditors.

This enabled him to ensure that it was properly managed, while avoiding the stigma of an official receivership.

Few chartered accountants would accept such an appointment under the new legislation, as they could conceivably be personally liable for the company's debts. This will, unfortunately, lead to more receiverships and, with the best will in the world, this may lead to more business closures which could conceivably have been avoided.

This was not the object of the exercise and only time will tell whether the baby has survived.

Marketing

'Just juice' jostles for jumbo juice jackpot

by Grev Wiggs

A NEW brand of pure fruit juice, named "Just Juice", is scheduled for launch on the New Zealand market today.

But it is more than just a new brand.

It is a new generation product — a technical breakthrough for New Zealand in this field. It represents a strong bid for a hefty market share in the congested beverage market. And it provides an example of astute marketing thinking.

The four flavours offered in the Just Juice range are all citrus based — orange, orange and mango, grapefruit and lemon, and one called "tropical" which is a blend of pineapple, passionfruit and orange.

Yet the manufacturer and marketer is the New Zealand Apple and Pear Board which has nothing to do with growing citrus fruits.

The board already has 80 per cent of the pure juice market — why try harder?

There is a variety of reasons.

The first and most important is the need to reduce the size of the apple mountain that grows taller every season as more and more orchards come into cultivation.

Apple juice-canning and the marketing of the Fresh Up range that began a decade ago really took off in the late 1970s as the Raro citrus juice operation based on the Cook Islands dried up.

The Fresh Up share of the non-aerated drink market has nearly doubled in the last three or four years. As the fastest growing segment of the market it makes good sense to exploit fruit juices.

There were other pointers. Of that 80 per cent share that Fresh Up owned, 70 per cent was attached to apple and orange flavour — a combination, by the way, unique to New Zealand.

But obviously the orange content was attractive. And overseas research showed that citrus flavours usually occupied 80 per cent of the flavour categories.

To confirm this, research in this country showed a pent-up demand for citrus flavours in fruit juices. Fresh Up had gone some way to filling the vacuum left by Raro juices but there was still a slot to be occupied by a possible competitor.

The problem was that the high cost of importation of overseas juices (to be combined with those produced locally) inhibited a practically priced product.

The answer to the problem was what, in previous and less sophisticated times, might have been called transmogrification, the art of transforming something in a magical or surprising way, frogs into princes.

Today, it's a scientific process in wide general use called de-ionisation. Apple juice is passed through charged resins which remove the specific ions (electrically charged atoms or groups of atoms) which give the juice its colour and its taste.

What is left is a clear, odourless, tasteless apple juice with all its natural fruit sugars and goodness still intact. Add concentrated citrus juice and you have a wholly fruit beverage with only the citrus flavour, indistinguishable from its citrus namesake. At a fraction of the citrus price.

The Apple and Pear Board went a further step in producing an affordable product by adopting for the first time in New Zealand the Tetra Brik carton — for about one-third the price of cans — which will give a shelf-life of up to six months.

Just Juice . . . the dinkum oil?

Just Juice is being presented in two sizes; a 250ml pack which will sell at no more than 50 cents and a one-litre pack at $1.25.

"The launch is taking place in the area north of Taupo and we will extend to the rest of the country in the not too distant future," processed products marketing manager John McKay told *NBR*.

"We're aiming the 250ml pack at the Innovators market of 16 to 25-year-olds. Our agency for the brand, Ogilvy & Mather, has come up with Kenny Everett as presenter which seemed appropriate. The copy line is "pure juice — pure fruit". The larger size will be for in-home, any-time-of-the-day use."

In answer to a question: "No, we don't expect to encroach at all on our existing market. Because we're in this new citrus territory we expect it to be all add-on business. We're shooting high. Eventually, we expect this to be an $8 million brand."

With this new product the board hopes to solve a number of marketing problems.

In 1979, it processed 2 million cartons of apples or about 20 per cent of the crop — principally into fruit juices. In 1980, it was 3 million cases. At that rate of progression it would be looking at processing 8 million cases in 1990, or about 40 per cent of the crop.

Any fresh offtake for processing purposes, such as the development of concentrated juices last year (*NBR*, July 27, 1981) and the current Just Juice exercise must be seen as a further part of the solution to embarrassing levels of supply.

Then through electronic chemistry, it was able to transmute a readily available product into one not so well available but still in demand, without sacrificing quality or goodness.

(There's no trickiness. The juice percentages are clearly shown on the carton.)

By using high New Zealand content and different and effective packaging, it has been able to market at competitive prices nationally.

And the Apple and Pear Board, in supplying a latent demand, is creating extra business while pre-empting any possible competitor who could have seen and grasped the same opportunity.

Wine-making alive and healthy in Hawkes Bay — an oasis for jaded Aucklanders

by Frank Thorpy

WHAT a restful oasis Hawkes Bay seems to a jaded wine writer after the alarms and excursions which have torn apart the Auckland wine scene recently.

True, there are only eight wineries (with another two in the offing) as opposed to dozens in Auckland, but they all seem to work together and respect each other's products.

Hawkes Bay vintners took as their motto "Hawkes Bay the premium wine region of New Zealand" (open to argument!) and have established a seal of authenticity or logo.

All members have agreed that wines exhibiting this logo shall be made only from Hawkes Bay grapes and locally made. Such wines shall be table wines only and of premium class, that is, minimum 95 per cent grape juice, made from vinifera grapes only, fault-free and good commercial quality.

In the 1980 grape survey Hawkes Bay ranks as second. Its climatological figures would suggest that the province is very similar to the Burgundy and Bordeaux areas of France, though like the rest of our vineyard areas, rainfall at vintage time is a recurring nightmare. France also has its share of problems at vintage time.

Some of the great wine grapes of the world flourish here, particularly Cabernet Sauvignon and Chardonnay, while Pinot Noir has yet to achieve its true potential. Opinions differ as to which of the two clones planted, Pinot Noir Bachtobel or 10/5, is the better. Wine-making here seems less slanted towards the German model than, say, in Auckland.

It was not the first area to be planted in vines — that honour belongs to Northland, but by 1880 it had become the most important.

Because wine-making was founded by gentlemen farmers and missionaries, who were perhaps not so concerned with an immediate short-term gain, as were their more struggling colleagues in the North, it got off to a much better start.

The Bay's lighter soil and drier climate particularly at vintage time, gives it an immense superiority over some other areas.

For the connoisseur there are two small wineries well worth a visit. In fact, it would be difficult, and in one instance impossible, to get wine from either without a personal visit.

Eskdale Growers, the only private vineyard in the Esk Valley which is very largely planted by McWilliams and Glenvale, is owned by a dedicated wineman with fixed ideas. He makes only Cabernet, Gewurtztraminer, Chardonnay and Pinot Noir which he refuses to sell until a certain stage of maturity is reached.

With only five hectares of grapes, he sells only from the winery and is sold out six months of each year. When the time is ripe for selling perhaps November/December this year, I can thoroughly recommend the Chardonnay and then the Cabernet Sauvignon.

The other small winery which has ambitious plans to become larger is Te Mata Estates, in Havelock North. The oldest cellars in New Zealand, it was established by Bernard Chambers in 1890. Chambers was persuaded that, as a gentleman farmer, he should have his own vineyard.

After many vicissitudes and changes of ownership, the winery was bought by wine enthusiasts John Buck and Michael Morris in 1978.

Much planting has been done, particularly the planting of Cabernet Sauvignon, Merlot and Cabernet Franc in proportions to make what should be New Zealand's first time Bordeaux-style claret.

John Buck is confident that the soil and climate of his vineyard are perfect for such a wine. The grapes are not ready for harvesting yet, but the 1980 Cabernet just bottled is the best straight young Cabernet I have tasted in New Zealand.

Buck and his winemaker, Mike Bennet, are perfectionists and the other wines currently available are in keeping — again, well worth a visit.

Back in Hastings is one of the great tourist attractions of the area — Vidals, a long established winery. George Fistonich, from Villa Maria in Auckland, revolutionised the whole concept, while keeping to the old tradition. It now has a wine and bar restaurant, the first winery restaurant in New Zealand serving meals and wine to the public until 9.30 pm, a wine museum and cellars.

Altogether it is a great experience to enjoy wine and food set among oak casks and barrels, and with the opportunity of seeing behind the scenes the balance of traditional and modern wine-making techniques.

Wine-maker Warick Orchiston, a dedicated enthusiast, is now producing table wines of character which are attracting the interest of connoisseurs and winning awards. Chardonnay, Cabernet Sauvignon, Muller Thurgau, Pinot Noir, Traminer, all figure prominently. Definitely a must on any wine visit to the province.

What a startling transformation at Mission Vineyards! The area under grapes has blossomed forth from about 12 hectares a few years ago to the present 45 with further expansion envisaged.

Under the vigorous management of an experienced layman, Ian Clark, the cellars have taken on a commercial aspect yet still keeping the quality and personal touch that has made the reputation of Mission Wines.

The winery has been updated with the latest in European processing machinery. Not mere mass production efforts, but modern techniques which tend to get the grapes and the grape juice to the fermenting tanks in good condition.

Mission Vineyards, after many years of having to refuse orders from its many friends and admirers, all over New Zealand, is now in a position to cope with increased demand. The wines are also now distributed to selected wholesalers.

Wine now being made include the usual Riesling-Sylvaner, Sylvaner and Chasselas. A Tokay d'Alsace, a fresh fruity wine, and Semillon, a dry austere wine which will stand some cellaring, are both of interest.

In the reds a Pinot Noir with a good colour and plenty of body, not yet on sale, will be of interest. Cabernet Sauvignon and an easy drinking mixture of Cabernet and Pinot Noir are available.

The largest company in the area, which certainly dominates the scene, but not unkindly, is McWilliams. There are two wineries, the larger, McWilliams in Napier, not open to the general public and McDonalds, at Taradale, which conducts winery tours and has tasting and selling facilities available.

The Australian McWilliams company acquired its first vineyard at Te Awanga in 1947. In 1961 it merged with McDonalds Wines and Tom McDonald became director in charge of production. He was the man who produced what is still the finest commercial red wine ever made in new Zealand — now just a museum piece — McWilliams Cabernet Sauvignon 1965.

Ever since that time, McWilliams has turned out consistently good wines which figure on most hotel lists. Tom McDonald has retired, though still a director, and the winery is run by Bob Knupstein, whose family name is well known in Australian wine-making circles.

Glenvale Wines at Bay View is perhaps the second largest winery in the district, renowned for its special strength 30 per cent sweet sherry which has a devoted following throughout New Zealand. Robbie and Donald Bird, grandsons of the original founder, are turning their attention to making quality table wines, though still keeping the sherries and cocktails which laid the foundation of the company. Graduates of famous wine schools, Davis California and Roseworthy Australia, the grandsons keep the tradition of a hearty welcome for all in the spacious and well laid-out tasting rooms.

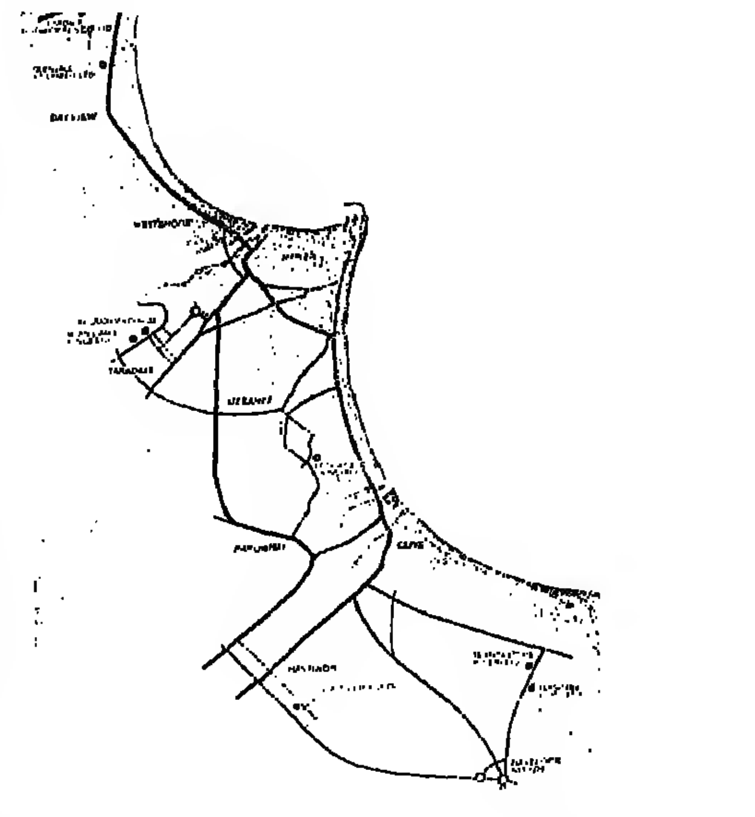
The other two wineries are smaller. Lombardi Wines in Havelock North specialise, as the name would suggest, in Italian-type vermouths etc, though Tony Green, a graduate of Massey University, is increasing the range of the wines.

At Meeanee, off the main road between Taradale and Napier, is Brookfields vineyards established in 1937 but now in the hands of a most hospitable couple, Peter and Ngaire Robertson. Traditionally Brookfields is known for its wood matured sherries but Peter, a graduate in biochemistry, is upgrading the range of the wines. The obviously friendly reception visitors receive augurs well for the future.

And all this is the sum total of the wineries at present operating in Hawkes Bay. There may be two more in the foreseeable future. Cooks, which has large interests and is now partly owned by Hawkes Bay Farmers Co-op, is realising that the grapes it now trucks up to Auckland are a different quality to what it gets from Gisborne and Te Kauwhata. It is considering erecting a winery in the area.

A scion of Corbans, in alliance with a prominent landowner, has planted 10 hectares in vines which will be ready for vinting shortly and a winery is being established.

However, the already eight wineries established, all with tasting facilities except Eskdale, will keep the average visitor happy and relaxed. There is a very good Wine Trail Map available.



The new face of public relations — globalism

Dorio Mutti . . . "Think globally."

by Grev Wiggs

DORIO Mutti is a man who loves a challenge.

With a degree in physics from Milan University under his belt, he crossed to America to attend Rutgers University armed with a Fulbright scholarship but only a dozen words of English.

At the age of 21, he had three months to learn sufficient English to get by or else face flunkiog out. Eventually, he majored in political science and economics.

Later, at the University of Minnesota, he won his masters in International law.

After a stint with the United States Government in Washingtoo, he joined *Readers Digest* as international editor, so getting his introduction to the world of global communications, and later served as deputy editor of all international issues.

In 1972 he entered a completely new field and retumed to Italy to take over the Italian operation of the international public relations consultancy, Hill and Knowlton.

We know H & K in New Zealand through its wholly owoed affiliate, Eric White Associates, which operates nine offices in New Zealand, Australia and South-east Asia.

In 1977, Mutti, then 40, was appointed managing director for Europe and last year, as executive vice-president, he assumed the responsibility for all the group's activities outside of the United States and Canada.

So tbe challenge of the communications revolution which lies not too far abead he finds exciting but not dismaying.

"The Japanese already have this inexpensive gadget that enables them to tap in directly to satellite television broadcasts in their own homes. In the near future, computer terminals in every home will give families continuous access to news and informatioo. The opportunities for global communication are expanding enormously.

"A recent international medical conference featured a debate between emlnent scieotists. At 20 centres around the world, the speeches were fed in from satellites to an iovolved audience. Those who attended were not only able to see and hear the speakers but to question them and receive their answers directly."

Global communication facilities will result in a lot of work having to be done io refining the message we transmit. News presentation will change considerably in order to present a globally acceptable treatment.

Global communication will lead to greater internationalism, Mutti declares.

He instanced the experience of his own family after he was relocated in Switzerland in his present position.

"There are four official languages in Switzerland and hence four television channels. It wasn't long after we went to Geneva that my children were selecting their channels by the preferred progromme and not by the language they knew. The message was still coming through."

The Geneva appointment followed an unusual merger in the communications field when last year, Hill and Knowlton, the largest international PR company, merged, by way of a stock swap, with J Walter Thompson, the largest international advertising agency. The conglomerate, which also includes a European ad agency network, totallcd $US352 million in revenue last year.

A decade ago agenclcs and PR consultoncies viewed each other warily. To a dcgree thcy were in competition for the same budgetry funds.

"The role of PR has changed," said Mutti. "Good PR companies are now treading on the toes of management consultants. They are employed for their usefulness in a voriety of fields, such as industrial ond community relations and are not so marketing orlentated as they were. In fact it is the non-advertising and publicity aspects of PR which have expanded and given it the new stance.

"JWT needed strong PR capability in the total communication field and particularly Internationally, where the spectacular expansion is taking place.

"The fast growth in international business is coming from outside the United States and this means the problems, and orientations are new to the US. You need local expertise to solve local problems many of which are not comprehensible in US terms."

Governments are becoming important clients.

"The company acts as a consultant to, not an agent for, a government. We oever substitute ourselves for our clients. So, in any area, the PR consultant can conduct feasibility studies, open up contacts, conduct market surveillance, monitor opinion, advise, report and prepare programmes on a mucb more economic basis than the cost of setting up a complete government department on foreign soil."

Dorio Mutti is *currently* visiting the southern H & K offices in the course of his review of operations in the 36 countries which constitute his bailiwick.

The adze

ABOUT 99 per cent of all the printed matter we read — newspapers, books, magazines — is set in an "old-style", serif type. Consequently it is the type with which we are most familiar and which we find most legible.

Why then do ad designers make so much use of sans-serif types for headlines and even body copy?

An analysis of the clearly classifiable ads in a recent *Listener* showed 44 per cent of headlines were in sans-serif.

Worse still, half of these were in caps — even more difficult to read, particularly when badly spaced.

RNZ sales director retires on $2.2 million high note

by Grev Wiggs

WHEN FM radio comes and there's a rush to stake a claim for the first stereo broadcast in New Zealand, our advice is to forget it.

The first radio stereo broadcast was staged so long ago that the instigator (perpetrator?) retired from broadcasring last month.

"I was senior technician in Invercargill io 1954 and we rigged a 20-minute demonstration of AM stereo from 4YZ and 4ZA, odvising people to use two radio sets," Jim Robertson told *NBR*. "I got caned for it but it was worthwhile," he said.

Director of sales and marketing for Radio New Zealand, Robertson retired after 34 years in technical, management and executive positions, having joined after service overseas with the RNZAF as "wireless operator mechanic."

As radio manager in Christchurch he was one of the first public broadcasting executives to face the fire of competition from private radio. And from then on he has been cast in the role of unremitting rival.

Yet he is the first to acknowledge the worth of a strong adversary. "Private radio smartened us up," he said. "There's a place for both private and public radio."

Robertson has always been a proponent of the ideo that private and public radio need to present a combined front and market the total concept of radio as a medium.

Indeed, he has demonstrated on more than one occasion that the rivals can effectively combine for a common cause. Don't be surprised to find Jim Robertson actively involved with the idea of forming a Radio Industry Bureau as a retirement activity.

Robertson exits on a high note. Appointed sales and marketing director in 1976, he not only built a new high profile for the division but turned a loss situation into a respectable profitable one. And RNZ competitive station ratings have never been more commanding than now.

Robertson takes a quiet pride in leading a team that turned in a $2.2 million profit last year.

"It was a great thrill," he said, "but we need that profit. It gets ploughed back into the development of programming and particularly community affairs.

It's essential to our existence. But we still have to strike a balance between service and advertising. Though advertising itself is a community service — how else do people know about products or services."

Jim Robertson leaves behind a host of friends made during his business career.

He will never leave radio behind. He's a ham radio operator linked by the air waves to another set of friends all around the world.

Jim Robertson . . . the first stereo "pirate"

Column

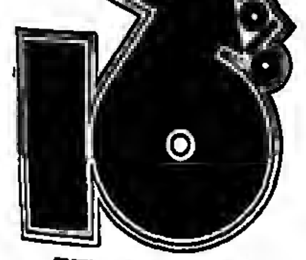
MILLENIUM.

"It must be spaced carefully if awkward gaps between irregular letters are to be avoided," wrote the great American type designer, Frederic W Goudy. Or to avoid the ugliness of adjacent verticals, he might have added.

"Pleasing legibility is the great desideratum," he also wrote. "Beauty is an inherent characteristic of simplicity, dignity, harmony, proportion, strength — qualities always found in an easily legible type."

The craft of typography, and that includes lettering and letraset, needs to be guided by principles rather than by fads of fashion.

* * *



PER ANNUM FOR 3, 4 & 5 YEARS

WHILE on the subject of legibility, have regard to this example of a numeral which is not numerable.

Is the second figure a zero, a six, or an impolite response to Rob Muldoon's strong request to reduce Interest rates?

— Grev Wiggs

Letters

Balancing the Budget

ALMOST a year ago your economics writer in *NBR* columns expressed the thought that there may be some merit in Social Credit thinking. Now W B Christie is exposing the muddle of that thinking.

It would be fair if someone exposed the muddle in orthodox economics thinking — the muddle which is causing the New Zealand Government to spend $2000 million more than income this financial year; the muddle which caused President Roosevelt to promise to balance the budget but, in fact, to engage in massive deficit financing; the muddle which is causing Margaret Thatcher and Ronald Reagan to know that budgets ought to be balanced but in the end be forced into acting against "their principles".

John R Perkins
Tauranga

It doesn't add up

I NOTICE in a recent *NBR* two advertisements for IBM's new product which can not only type but also do arithmetic. What I would like to know is whether the mistakes in adding up and dividing by two were really the output of IBM's latest creation or *NBR's* insistence on the inherent inaccuracy of the typewritten word.

Alan S Lock
Computer Consultants
Wellington

What price energy experts

THE responsibility for selecting contributions to *National Business Review* presumably falls on you, as does the responsibility for deciding what type of publication you want your journal to be — who does it want to inform, and in what fashion. As I understand it, *NBR* wants to inform the business sector, and it wants to be taken seriously.

If I am correct, it is all the more surprising to read "Your Neighbourhood Energy Expert", (*NBR*, September 28), by Erich Geiringer. If the writer is attempting humour in the Art Buchwald style, he should be better informed on his subject than he apparently is — and he should aim at the features section in a national daily, or regional newspaper.

In *NBR* such a contribution appears somewhat misplaced, if not downright pathetic.

Alas, this is yet another unsuccessful attempt to make a funny story by taking things out of context. Regrettably this is a very popular approach — taken frequently by the academia — and, even more regrettably, it is strongly supported by the press.

Energy projects are eminently suited to this (almost everyone claims to be an expert), but aluminium smelters and other specific business projects will also do.

Is it not time for editors to give more weighted space to those people who have a proven track record — and who are prepared to stake their reputations and money on their assertions?

G Ammermann
Managing Director
Bayer NZ Ltd
Petone

Rob Muldoon, alas, can't be persuaded to write for us.
— Editor

Money supply changes

IT is a common belief among economists that changes in the internal money supply (except for changes that match production) have little aggregate effect on the real economy except in the short term. That is, that such changes are nominal only, and are harmful in their distributive effects.

Yet the same economists often advocate currency devaluation, a policy tool equally as nominal as the printing of money.

Surely the real effects of devaluation ought to be only short-term; that is until price readjustments are completed. Or, on the other hand, if devaluation can have a real long-term effect on production, then so also can printing money.

Keith Rankin
Wellington

Conflicts on sale of wood

GIVEN an apparent commitment that the marketplace should set the price for state exotic timber the report of the working party on the sale of state wood makes interesting, if conflicting reading.

Although the committee's report states that the objective for the sale of state exotic wood is to obtain the best economic return from the substantial investment of Government funds their recommendation that a monthly adjusted product price index be used to amend tenders for the sale of state timber will ensure that this objective is not realised.

The index is to be tied to the price received for the product the wood is to be used to produce and is also weighted on a regional basis to overcome "individual inefficiencies" such as increased costs to overcome harvesting difficulties associated with difficult topograhy or transport costs to distant processing points.

Such an index, already agreed upon in the case for supplying electricity to the second aluminium smelter, is a far cry from the ideals of equating the price of wood with the marginal cost of establishing, growing and tending the trees.

Its implementation will ensure that whatever use is made of the timber resource it will be a profitable use. Forest processing, largely a private sector activity, will be encouraged to an inefficient degree, while the state supply of wood will not necessarily realise returns sufficient to cover costs.

A pricing strategy based upon the state recovering its costs was rejected on grounds of unacceptable historical cost records, uncertainty as to what element of capital and administration costs should be incorporated, questions over what rate of profit should be allowed and problems over whether one should treat costs as a stock or flow variable.

Further, it was thought that costs should be related to future planting decisions rather than whether or not to sell an existing stock.

Such problems seem unreasonable grounds to reject the principle that the public should expect a return from its investment.

Although problems restrict the ability of the state to price timber as theory dictates, these can be overcome by a pricing system that comes close enough — as seen by forest operations of the private sector.

Given the committee's concern that the private sector of the forest industry should be sheltered from the winds of competition by the implementation of the product price index system of sale for the state wood resource (perhaps as a replacement for the rumoured removal of export subsidies), it seems conflicting that a similar concern is not forthcoming for the public of New Zealand.

Not only is wood recommended to be sold at a loss when prices for wood products are low and times difficult for the forest industry, but in return there is to be no consideration, other than price, on effects of a forest industry when wood is tendered for.

Where the state is expected to underwrite the risks of the forest industry, in return wood could be sold on a negotiated basis where factors such as employment generation, social and environmental effects, net foreign exchange generation, distribution of employment and income generating activities in regions of greatest need, infrastructural costs etc could all be considered.

The working committee, however, rejects this approach on grounds that the price of wood be sold in the marketplace!

Ian Maxwell
Wellington

Transport

Carriers' pleas about higher fines cut little ice

by Bob Stott

THERE has been little public reaction to the recent claim by a group of businessmen that if fines for certain breaches of the law are increased they will be forced out of business.

The businessmen in question are not marijuana growers, but some road carriers, who have been objecting to provisions in the Transport Amendment Bill to increase the maximum fines for breaches of road transport licensing rules from the present $2000 maximum to a new high of $10,000.

Not only does the Bill boost the penalties, it also plugs a few loopholes (or tries to) and gives traffic officers more powers.

The bill attempts to stamp out "warehousing" as a way of beating the 150km limit, and gives traffic officers powers to mark goods so that they can be more easily traced along the way.

The legislation also proposes a toughening up of laws relating to drinking and driving.

The carriers' national body, the Road Transport Association, has never condoned lawbreaking by its members.

Most of the agitation against the bigger fines and tougher enforcement measures is coming from South Auckland and Bay of Plenty, where the geography is such as to tempt operators to break the 150km limit on direct competition with rail. Here New Zealand is at its widest, there is a pattern of dense settlement and, especially in the forestry field, there is a variety of traffic coming and going in all directions.

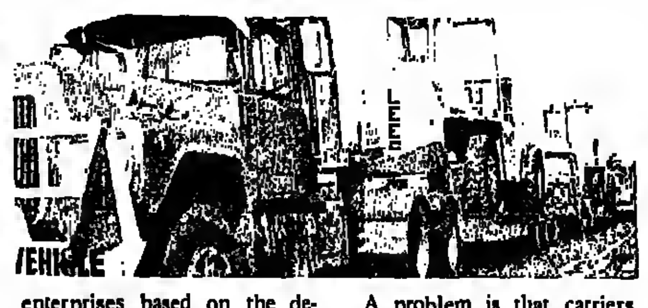
Given a half-way house around Hamilton and a bit of bending of the distance rules along the way, a Waikato or Bay of Plenty carrier can range from Taupo to Auckland, from Te Awamutu to Whakatane, and to and from all points in between over a network of roads.

Contrast this with a carrier based, say, in Kaikoura — he is very easy to pick off as he heads south down the coast (on virtually the only road he can use) on the way to Christchurch, without the right sort of licence. If he is spotted, a call down the way to arrange interception at Rangiora has him cold.

Not long ago the *New Zealand Herald* called on 15 road carriers in the South Auckland area, reporting "predictions that businesses would lose between 20 and 80 per cent of their business. Some predicted they would have no business if the bill went ahead."

Bearing in mind that the bill strengthens enforcement and does not alter the ground rules (indeed there is some slight easing of the 150km rule in relation to main centres) this is an extraordinary situation.

Here are businessmen admitting that they have founded



enterprises based on the defiance of regulations.

The *Herald* talked to N T Clarke of Paeroa, a Road Transport Association councillor, who suggested something was wrong with the law if existing penalties were not stiff enough to deter lawbreaking.

"Many of our operators are under strong pressure from shippers to accept illegal loads," he said. Members refusing such loads found shippers deprived them of legal work as well, and the industry suggested that, because of these pressures, the consignor should be equally liable. But under the proposed legislation they would not be, said Clarke.

In fact, the present legislation already covers this point, even if the regulation concerned has rarely been invoked, if at all. "Aiding and abetting" has been an offence for years.

Early this month road carriers who felt strongly about the Bill planned a protest meeting in Rotorua, but this was cancelled apparently because of lack of support.

A problem is that carriers who rely on the *status quo* for their livelihood are in turn becoming concerned. These people are mostly the town carriers, who work carting to and from railheads and freight forwarders' depots. Every load carried illegally by road all the way through means less work for these people.

Some regionally based carriers are also concerned — such as some in Northland who have seen "their" patch invaded by companies working (illegally) out from Auckland into Northland.

So, even though the South Auckland rebels may be getting the headlines, there are many other carriers who do not agree with them, because the *status quo* suits them. In all probability, some 90 or 95 per cent of road transport firms have been able to live within the rules and don't want change.

The rules have shaped their business patterns, and if the rules are changed or frequently broken, then their businesses in turn will be forcibly altered.

For the Road Transport Association, representing as it does all aspects of road transport, the situation is not simple. At least some members are opposed to the 150km limit or licensing and regulation in all forms.

Some prefer the protection of licensing, but don't like the distance limit. Some see no advantage, indeed positive disadvantages in radical change, and some exist solely because the distance limit directs traffic to them.

Transport licensing is, of course, based on economics, and the basis of the present system was laid not by the first Labour Government as is sometimes supposed, but by its predecessor. Labour introduced the distance limit (originally 30 miles), but Gordon Coates in 1934 had said it was recognised that unregulated competition had resulted in duplication and even triplication of transport facilities. This had "forced the national overhead of transport costs up to a level that tended to retard the progress of industry and trade."

Coates's 1933 Act had as its aims the protection of roads by controlling the numbers of heavy and fast vehicles, the rationalisation of competition between road operators and between road and rail to avoid waste of resources, the establishment of stable services to have safer and more reliable operations, and insistence on insurance against carriers' liability.

Ever since then every government has come to the conclusion that regulation of competition between road carriers and between road and rail has been in the overall economic interests of the nation.

Easing of the regulations, either by legislative change, or by failure to ensure enforcement, must result in an increase in competition, and Coates's "duplication and even triplication" of services.

Some economic advisers and political pundits who advocate such competition will be in the user's interest, but this view fails to answer Coates's claim that it "forces the national overhead of transport costs up to a level that tends to retard the progress of industry and trade."

What the delicensers and the advocates of lighter penalties and less enforcement fail to realise is that there is but a finite quantity of goods for transport at any time. If there are more operators in a route, there will be more services, which means a greater utilisation of resources not in production, but in servicing.

There will be a bigger investment in transport, and so transport will need increased revenue to survive and prosper. And that bigger investment will mean bigger transport charges for a finite quantity of work.

Mini-brewery may give 'big two' hangover headache

by William Hobbs

A DAVID among the Goliaths of the big breweries: that was how Prime Minister Rob Muldoon described the country's newest brewing venture, a small family owned brewery in Nelson, when he officially opened its new malthouse and brewhouse.

And Roc Mac Ltd, with an initial production of 22,000 litres of ale a week and a capacity to brew 68,000 litres, certainly is small beer compared with the average 7 million litres a week output of the major breweries from their 13 plants.

But David was successful in the fight against Goliath, and the managing director of Roc Mac, Terry McCashin, is also hopeful of success — not in knocking out Lion and DB, but certainly in securing a place in the market for a regional Nelson/Marlborough beer.

McCashin, a former Picton hotel-keeper, has spent half a million dollars, including $61,000 from the small business division of the DFC, on the venture.

He believes the time has come when New Zealanders will welcome a distinctive local brew in place of the standardised and rather bland product of the big breweries.

He says it was once one of the pleasures of travelling the country to be able to sample different tasting beers at different centres.

Mac's Real Ale, the beer he is producing in Nelson with the help of a brewer he brought in specially from England (a former employee of the Carlsberg company whose work permit required the special approval of Immigration Minister Aussie Malcolm) certainly is different.

McCashin describes it as a cross between the real ale being produced in England as a response to public demand for a fuller-flavoured beer, and an Australian lager. It is light in colour with a good bead and a malty taste.

McCashin conceived the idea of setting up a regional brewery four years ago, originally planning to establish it in Marlborough, and he spent two years going through the legal process of getting a brewing-house licence.

The licence that was finally issued to him is the first new brewing-house licence in New Zealand since 1931 (DB's Woshdyke Brewery at Timaru being opened with a transferred licence).

The move to Nelson as the base for operations followed the closing of the Rochdale cider factory at Stoke last year by the Christchurch wine and spirit merchants, Maling and Co Ltd, and its decision to sell the premises.

At the time *Malings* said it was no longer a commercial proposition to make cider as an only product because its market had been eaten up to such a large extent by the increasing New Zealand taste for wines.

But the company conceded it might be possible for someone to make a go of cider production if it was combined with something else.

For McCashin, the operation was ideal. Only a third of the cider factory's floor space was being productively utilised when he took over and set up his new company; and though he plans to continue cider production, it meant there was still plenty of room for expansion into brewing.

McCashin has returned to the old fashioned batch-brewing process for his beer. It involves five days' fermentation and then five days' conditioning for each brew, and was abandoned years ago by the major breweries in New Zealand in favour of the DB-developed continuous fermentation process.

He is only making one type of beer at present, but plans in time to add a couple more, including a stout, brewed by the same batch fermentation process.

He says he has had very little response from the brewing giants to his entry into the business, and they did not oppose his application for a brewing-house licence.

This could be the result of the breweries' near-stranglehold on retail liquor outlets in the Nelson region, something which has meant McCashin has been able to tie up only one independently owned hotel in Nelson as a sales point for his beer.

With commercial production only just started, he has made no real attempt yet to market the beer, but already he has received numerous unsolicited inquiries from chartered and sports clubs interested in stocking something different in the way of beers.

And if McCashin's prediction that the New Zealand palate is ready for something new in the way of beer is accurate, and if small regional breweries start springing up across the country, the Goliaths of the trade may yet have cause to rub their foreheads.

World oil demand: expecting the unexpected

by Ray Dafter

A surprising reception awaits visitors to the International Energy Agency's nondescript headquarters in Paris.

For a start, it is not easy to get in. The security arrangements could have been modelled on those of Fort Knox — a precaution introduced largely on the insistence of oil companies which have deposited their precious trading data and forecasts with the secretariat.

And the serious, at times puzzled, expressions on the faces of the agency's multinational staff do not seem right at a time of an oil glut, when the world appears to have brought the energy supply and demand balance so much under control. Shouldn't they be celebrating?

In truth the IEA — set up by the main industrial countries to counter the growing influence of the Organisation of Petroleum Exporting Countries (Opec) — is in no mood to kick sand in the faces of oil exporters. Agency analysts are worried that the indicators, however favourable, may obscure longer-term problems.

From the major energy consumers' point of view, the short-term trend is encouraging. Energy use within member countries of the Organisation for Economic Co-operation and Development (OECD) fell by 3.2 per cent in 1980, as against the previous year, and by a further 2.8 to 3.0 per cent so far this year. The drop in OECD oil demand has been even more dramatic: down 8 per cent in 1980 and a further 6 to 7 per cent this year.

Opec oil production, estimated to be about 20.5 million barrels a day (almost half of installed capacity and about two-thirds of the current availability) is at the lowest level on an annual basis since 1968. And major oil companies are so relaxed about the availability of supplies during the coming months that they have already begun to run down their high stocks kept in reserve for raised winter demand.

The problem facing analysts within the agency — and within Opec for that matter — is that no one has yet been able to untangle the various factors that have led to such a marked swing in energy balances.

Reduced demand for energy, particularly for crude oil, has been caused by a combination of the slump in worldwide economic activity, consumer resistance to higher prices, the switch by users from one fuel to another, and the deliberate introduction of conservation measures.

Dr Subroto, president of Opec, recently warned about reading too much into the savings caused by "one-off" events. Addressing the prestige Oxford energy seminar, Subroto referred to last year's drop in US petrol demand which, he said, accounted for about 400,000 barrels a day of the decline in world oil consumption.

"Enhanced fuel efficiency and conservation are essential to the orderly and secure evolution of our oil and energy future," Subroto said. "But it can be misleading to jump too rapidly from aggregate data to general conclusions."

On the face of it, energy savings of about 25 per cent have been achieved in the past seven years or so. This superficial view arises from a comparison of current energy demand with consumption levels projected in the early 1970s.

In 1973, for instance, Exxon forecast that by this year non-communist world energy demand would be running at the equivalent of over 125 million barrels a day of crude oil.

It further projected that by 1985 energy demand would have risen to 162 million barrels a day of oil equivalent (b/doe). The forecasts looked reasonable at the time, given that energy growth rates in the early 1970s had been running at 3.4 to 5.5 per cent annually.

In the event, it seems unlikely that demand this year will rise above 95 million b/doe. And according to the latest energy report of Bankers Trust Company, 1985 demand could still be only 106.5 million b/doe — an apparent drop of 34 per cent from the level originally expected by Exxon.

A more accurate measure of fundamental changes in energy balances can be obtained from comparing demand with the economy as a whole. Here it has been found that energy use per unit of Gross Domestic Product in IEA member countries declined by almost 13 per cent between 1973 and 1980. Over the same period oil use dropped by about 20 per cent when assessed on a comparable basis.

Fred Gorbet, director of the agency's office of long-term co-operation and policy analysis, said the changes indicated a general improvement in the efficient use of energy — particularly among oil consumers. There had also been a significant substitution of other fuels for oil.

There remains considerable potential for further savings through more conservation. IEA member countries project that in the 1979-80 period, energy use per unit of GDP could decline by a further 14 per cent.

The IEA has already called for stronger conservation action from many of its members.

"There must be a contribution from both market forces and public policy measures," says the IEA, a view shared by the newly created Association for the Conservation of Energy.

The association, based in London, was set up largely because manufacturers of conservation equipment were concerned about the woolliness of British conservation policies.

Experience of the mid-1970s has shown that conservation loses much of its appeal when oil prices are falling in real terms — as at present. In its energy analysis, Bankers Trust sees little prospect of oil prices rising much above the general inflation rate before 1985.

The forecast is based on an assumption that demand for Opec oil will remain well below the organisation's production capacity at least until the mid-1980s and possibly through to the 1990s.

Paradoxically, the demand for Opec oil — and the organisation's pricing expectations — will be greatly influenced by the IEA's success in encouraging a switch from oil to other fuels. Ever since the agency was formed, in response to the 1973 energy crisis, it has striven to encourage member countries to lessen their dependence on imported oil, and Opec's oil in particular.

The campaign seems to be working. IEA member countries — essentially all of the developed nations with the exception of France — relied on net oil imports to meet about 35 per cent of their total energy needs in 1973.

The proportion is now less than one-third. The agency secretariat believes that oil imports could be meeting just 28.6 per cent of the IEA's energy demand in 1985, 23 per cent in 1990, and only 14 per cent at the turn of the century.

It is IEA's hope that by the end of the century oil will have been virtually eliminated from electricity generation. (It now accounts for almost one-fifth of the fuel used in power plants.)

Manufacturing industry is expected to become more efficient in its overall use of energy.

But still agency staff remain troubled by nagging doubts. They are concerned that in the current climate of oil glut, economic recession and low growth expectations, the drive to provide more alternatives to imported crude oil will be hindered.

President Reagan's announcement that the US Energy Department is to be abolished is a further sign that leading industrialised countries have become more relaxed about supplies, more confident that market forces will lead to the development of fuels to replace imported oil.

The IEA is working on the assumption that nuclear power output will grow by 170 per cent in the next decade and by a further 65 per cent in the 1990s. The use of coal is expected to grow by 150 per cent and account for 35 per cent of total IEA energy use by the end of the century, compared with about one fifth today.

But what is still not known is whether the progress is real or phony.

HOW ENERGY BALANCES WILL CHANGE
(Reference case for IEA countries: million tonnes of oil equivalent)

	1978	1990	2000
Total primary energy	3612	4236	5100
Non-oil energy consumption	1794	2666	3780
Oil consumption	1816	1570	1320
of which: net oil imports	1208	974	730
Domestic energy production	2466	3142	4206
Coal	727	1100	1770
Oil	707	676	680
Gas	895	713	750
Nuclear	123	336	565
Hydro	232	285	350
Net non-oil imports			
Coal	11	60	40
Gas	30	142	215
Total final consumption	2617	2816	3369
Industry (inc non-energy use)	1040	1270	1667
Transport	737	709	680
Residential/commercial	840	939	1022
Net oil imports (m barrels/day)	24.5	19.6	14.6
Oil consumption as % of total energy	50.3	37.1	26.9

Law

Family courts tidy up loose ends of restructuring

by Jack Hodder

THE Family Proceedings and Family Courts Acts came into force at the beginning of this month, five years after the appointment of the (Beattie) Royal Commission on the Courts. Their commencement marks the end of an active period of study and reform which has overhauled our family laws, restructured our courts and produced a significant expansion in the judicial branch of government.

The major change brought about in the Family Proceedings Act relates to the termination of unsuccessful marriages. Instead of seeking a divorce, marriage partners will seek an order dissolving the marriage.

Such an order may be sought on one ground only: "that the marriage has broken down irreconcilably". That ground will be held to have been established "only where the Court is satisfied that the parties to the marriage are living apart, and have been living apart for the period of two years immediately preceding the filing of the application for an order dissolving the marriage".

Once the ground is made out, the court must make the order sought, subject only to its being satisfied that proper arrangements have been made for the welfare of any children.

The new legislation means the end of "fault"-based grounds for the termination of marriages, such as adultery, cruelty or desertion. It also means that "instant" divorces, previously available on such "fault"-based grounds, are things of the past.

But the new rules are not especially radical. The Australians have had a one-year separation period as the sole ground for divorce for some years. And our new legislation does not contain the "fast track" (6-month) dissolution for childless marriages that a 1977 Justice Department review of matrimonial law contemplated.

The Family Proceedings Act also ended another aspect of "fault" in matrimonial law by abolishing the ancient action for enticement of a spouse as from January 1981.

Another change contained in the Act relates to rape: a man can be convicted of raping his wife if they are living apart in separate residences; previously there could be no conviction unless there existed decrees of divorce or judicial separation or a separation order at the time of the incident.

The changes leave us with a simpler body of legislation. Together with the establishment of a norm of equal division of assets on breakdown under the Matrimonial Property Act and an explicit role for the Social Security Commission in seeking contributions by one spouse to the cost of the other's domestic purposes benefits, they just might mean an overdue decline in the amount of family law business coming lawyers' way.

An amendment to the Guardianship Act also came into force on October 1. It includes a testament to the efforts of the Parental Rights Society (previously Families Need Fathers) by explicitly providing that the welfare of a child is not to be presumed to be served by placing it in the custody of a particular person because of that person's sex.

This outlaws the "mother principle" which presumed that it was in the interests of a very young child or a female child that it should be in the custody of its mother.

That "principle" had been well and truly eroded by judicial decisions in very recent years and it is doubtful that its repeal will have much significance.

The new family courts operate as a specialist division of the district courts. Only certain district court judges have been warranted as family court judges and they will handle the great bulk of all family law proceedings.

The Family Courts Act includes a special provision requiring that proceedings thereunder be conducted in such a way as to avoid unnecessary formality and that wigs and gowns be not worn by judges or counsel. The extension of that requirement to the ordinary courts deserves some favourable consideration.

The family courts will deal with most matters arising under the Family Proceedings, Matrimonial Property, Guardianship, Adoption and Marriage Acts.

There remains a number of areas which were recommended for family courts by the Beattie commission but which still remain with the ordinary courts. These include matters under the Status of Children, Children and Young Persons and Alcoholism and Drug Addiction Acts, as well as criminal matters (such as incest and domestic violence) arising within the family context.

The present restricted jurisdiction given the new courts may well be related to the Minister of Justice's public warnings that they should not be overwhelmed before they are well established.

On the other hand, if those courts do not deal with all important matters related to families there is an inefficient use of judicial resources and the family courts will not be fully deserving of their title.

The beginning of the family courts also marks the last part of the court restructuring that has taken place in recent years. The Court of Appeal is now regularly sitting in two divisions — and can field a full team of five permanent judges for the very important cases, such as the current application for review of the Mount Erebus crash report.

The High Court still has significant backlogs (426 weeks work outstanding at March 31 1981, according to the Justice Department's annual report) but it is understood these are now reducing.

It is in the district courts that the major changes have occurred. The increase in the civil jurisdiction to include claims of up to $12,000 is bringing a range of new and interesting cases to those courts.

The commencement of criminal jury trials in the district courts struck a nasty administrative hiccup (requiring urgent parliamentary validation) and may yet overload the Court of Appeal with appeals. Then, finally, we have the family courts.

Much has happened over the past five years in the general field of the judiciary, but a look at judicial numbers suggests that the underlying feature has been the significant enlarging of the size of the judiciary.

Five years ago there was provision for 20 Supreme Court judges (then paid $25,109) and 60 magistrates (then paid $18,557). Now we have provision for 27 High Court judges (normally on $67,070) and 83 district court judges (now on $50,642).

That means that the last five years has seen an almost 40 per cent increase in the number of judges, while the population has increased only marginally.

There is a growing realisation that throwing money at social problems does not necessarily cure them. There is need to be aware that throwing judges at problems may not be much more successful.

Commodities

Surplus silver sold

THE General Services Administration began selling surplus silver from the US national defence stockpile — at the planned rate of 1.25 million troy ounces a week — this month.

Roy Markon, commissioner of the GSA's federal property resources service — which handles the sale of materials from the US strategic stockpiles — told a congressional hearing that President Reagan already had authority to dispose of 46,537,000 troy ounces of silver during the fiscal year that ends on September 30, 1982.

Congress has also granted the Administration authority to dispose of 11 other surplus stockpile materials: 453,590 kilograms of iodine; 1.5 million carats of industrial diamonds; 322,165 kilos of mercury oxide; 50,000 flasks of mercury; 907 metric tons of antimony; 1814 metric tons of asbestos chrysotile; 711 metric tons of vegetable tannin extract; four different types of mica totalling 277,825 kilos.

Proceeds from the sale of the 46.5 million ounces of surplus silver will be used by stockpile officials to purchase cobalt, titanium and other critical materials deemed essential to US national defence needs.

Commodity analysts in New York said the quantity of silver to be auctioned by the Government was not large.

But the GSA announcement triggered a drop in silver future prices the same day. They fell 50 cents an ounce — as much as is permitted in a single day's trading.

The September silver contract, scheduled for delivery before the GSA sales began, fell $1.24 to close at $9.72 an ounce.

Markon said the GSA plans to sell all the surplus silver, but that it might not sell the full 1.25 million troy ounces of silver each week if the prices offered are not considered acceptable.

Mexico

Graft oils wheels in oil-rich Mexico

Like the rest of the oil-starved world, New Zealand has taken a fresh look at Mexico, the third great North American country, since it has discovered vast reserves of the precious liquid.

Our contact with Mexico since news of the discoveries has included a high-level visit, led by Prime Minister Rob Muldoon and including senior officials, industrial representatives and traders.

But in future dealings with Mexico, New Zealand traders may come up against a problem that is new to most. Corruption has been a part of Mexican life for as long as anyone can remember. But now even the Government considers that it is getting out of hand, according to William Chislett, of the Financial Times.

CORRUPTION has long been endemic to public life in Mexico. But the scale of revelations in the past month has been unprecedented.

Flores Tapia, Governor of the state of Coahuila, resigned after the Congress accused him of "enriching himself inexplicably" to the tune of $30.1 million. A deputy from the ruling Institutional Revolutionary Party (PRI) is under investigation for allegedly embezzling $82.1 million belonging to the state agricultural bank. Their cases are now being pursued by the Attorney-General's office.

Even the President, traditionally immune from criticism, has found himself caught in the storm. President Jose Lopez Portillo had to refuse the offer of a $2.4 million ranch, a present from a group of businessmen and politicians, after a newspaper columnist broke the news.

The columnist in *Uno Mas Uno* did not suggest that Lopez Portillo was being corrupt in accepting the sumptuous gift. He did say that to take the 150-acre farm would tarnish the image of the Presidency at a time when a good example was needed from the top.

Not only did Lopez Portillo make public his decision to reject the gift, now known colloquially as "the ranch of temptation", but he also asked the Congress to legislate against officials receiving presents.

Both moves are unheard of in Mexico. The President's standing with the public has risen as a result.

Lopez Portillo, like all his predecessors, says he will fight corruption, which has become worse than ever due to the fact that Mexico's oil has put so much extra money into the economy.

He compares corruption to a "cancer which runs the risk of devouring Mexico if we do not succeed in controlling it." But corruption is so intimately bound up with Mexican politics that to instigate a major purge could severely upset the remarkably stable system, which has been dominated for 52 years by the PRI.

There is no law regulating the conflict of interests in Mexico. Senior government officials maintain interests in private companies, which often win government contracts.

Politicians and civil servants are able to mask their participation in such companies by holding bearers' shares, which are anonymous.

Gifts to woo politicians and speed up the cumbersome bureaucracy are a long established tradition.

A British businessman tried in vain to get an import licence for months, while the Commerce Ministry kept dragging its feet. Finally, he asked the Mexican partner in his joint venture company to have a word with an official. The permit came through the same day, but the Mexican had to loan his private jet to the official for a weekend.

Nepotism is another feature of Mexican public life. The President's 28-year-old son is a vice-Minister for Planning. His sister is in charge of the state run television and radio system and a nephew heads the state airline company.

A European diplomat likens the Mexican system to a "pyramid of patronage", in which public sector jobs are designated in a descending chain of command.

The Mexican civil service is not a profession as it is in Britain. It is full of political appointees, who change every six years when a new President takes office.

The Government is now in its fifth year — a time when officials, many poorly paid, feather their nests more than ever, since there is no guarantee of a job in the next administration.

But it is a fairly democratic form of corruption since it extends throughout the public sector. A traffic policeman, for example, will usually waive a fine in exchange for a 100 peso ($3.70) "mordida", or "bite". The policeman passes on part of the bribe to his immediate boss, to ensure that he keeps his good beat, and so on.

A senior Mexican banker even goes as far as to say, for fetched as it may seem, that corruption has been more effective in distributing wealth than the Government's economic policies.

But it is now widely accepted that corruption has got out of control and officials have become too greedy.

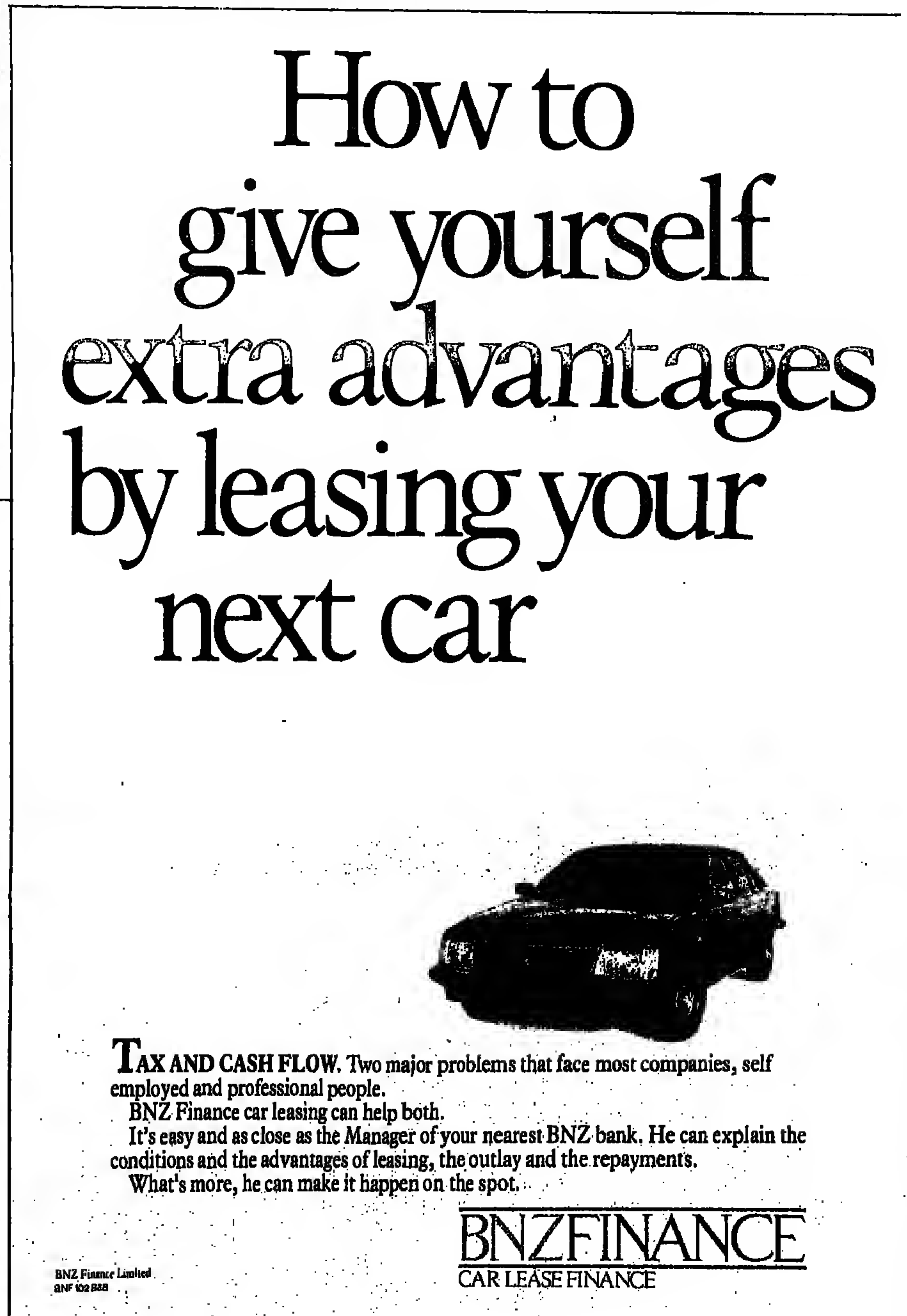
When elections were held for a new governor in August in the state of Coahuila after Tapia resigned, 70 per cent of the electorate showed their disenchantment with the political system by abstaining from voting. This was one of the highest abstention rates ever. The PRI candidate still won, but with little legitimacy.

The Attorney-General has charged 2360 officials with illicit operations involving public money in the past five years and recovered some 4.5 billion pesos ($185 million) in misappropriated funds.

The Government has closed the loophole in the Law of Responsibilities, which allowed officials, charged with fiscal offences, to be released after returning the misappropriated funds.

But is has not stopped the time-honoured practice of paying many Mexican journalists part of their salary. Such journalists can expect a regular "envelope" from the Ministry or Government department they cover, as well as other perks. Mexican reporters covering this year's banking convention were given $185 petrobonds and gold medallions by the Finance Ministry.

Newspaper publishers pay their journalists badly and are quite happy to see the Government make up the balance. The Government, for its part, is able to keep a tame Press which, from self-interest, does not pry too deeply into corruption.



Overseas trade

CER — what's in it for us, we may ask, as tarrying bureaucrats prolong the uncertainty and questioning

Special correspondent

THE concept of closer economic relations (CER) between Australia and New Zealand was launched in March 1979, with a firm commitment by both Prime Ministers, in the form of a general communique.

This was to be the trade agreement which would pilot trans-Tasman trade through the 1980s into an era of more sophisticated and dynamic trade — finally trade relations between the countries would be on a more long-term and stable basis.

But the only thing which is long-term about CER are the negotiations and the only stability, so far, is the assurance to bureaucrats of regular trips across the Tasman to talk to their counterparts.

CER, as a concept, was being talked about in 1978. Now, the earliest starting date which seems likely is 1983. In other words, it will have taken five years for a new agreement to be negotiated and commenced.

In 1978 Nafta was, in fact, running aground. The terms of access under Schedule A of the agreement were being described by the Australians as a vehicle for one-way free-trade because of New Zealand's restrictive import licensing provisions.

In a number of instances the Australian Government came dangerously close to dishonouring commitments under Schedule A. This would have sabotaged not only that schedule, but the whole basis and concept of the Nafta agreement.

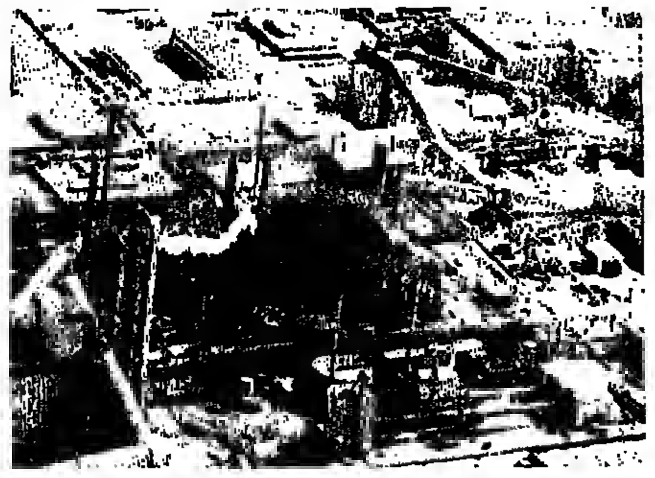
The indiscriminate and unpredictable application of tariff quotas in Australia, particularly in the clothing, footwear and textile industries, also did nothing to engender good trading relations.

Wherever New Zealand was starting to get a reasonable foothold in the Australian market (whiteware) the terms of these trade deals, put together under 3:7 arrangements, became increasingly difficult to renegotiate as the Australians took a bloody-minded attitude in efforts to protect inefficient local industry.

The commissioning in 1978 of the thermo-mechanical pulping and newsprint mill in Albury (which has just come into operation and will save imports of \$A80 million a year — mostly New Zealand exports) was another example of Australian industrial development policy apparently ignoring trade relations with New Zealand.

At the same time, there were many niggling issues, such as export incentives, Government procurement, standards and intermediate goods, which either side saw as the basis for an unfair trading advantage.

Three years have passed since many of these problems were reaching crisis proportions, but still no new agreement has been formulated — and the amazing thing is that rather than trade falling off, it has grown very strongly with many of the problem areas appearing to have been ironed out.



Newsprint . . . they want it alone

Since June 1978 total trans-Tasman trade, in New Zealand dollars, has grown by 45.6 per cent to \$1881.7 million for the year to June 1981. The trade ratio which was 1.6:1 in Australia's favour in 1978, is now only 1.3:1 in Australia's favour.

It leads one to wonder whether a reformulation of the traditional Nafta agreement might not have been more appropriate and certainly less time-consuming. Both countries are still each other's largest markets for manufactured exports.

Perhaps the growth of trade, in spite of Nafta, is a comment on the value of the agreement itself. Many of the other niggling issues were quite capable of resolution, provided cool heads and positive attitudes prevailed.

There have been few new deals put together, as such, under Nafta, but there have certainly been no great problems. Despite the crises of 1978, it is hard to find an industry whose future hangs in the balance because CER has not been negotiated.

Given that the main New Zealand advantage under Nafta is the tariff preferences it can obtain against third countries, the review of protection, now being undertaken by the Industries Assistance Commission in Australia, makes the benefits of CER rather questionable to say the least.

The terms of reference given to the IAC by the Australian Government make no mention at all of CER. It may be that parties under cross-examination at the hearings will be asked by the IAC about the implications for trans-Tasman trade, but it is very doubtful.

This contrasts with the position in New Zealand where the IDC in recent hearings has given considerable attention to CER. The fact of the matter is that New Zealand just does not rate in Australia's industrial development strategy.

Far more commitment has been given by senior Australian ministers to the easing of trade barriers to facilitate the North-South dialogue.

Manufacturers argue that there is little point in giving away access to the New Zealand market in exchange for preferences against third countries which must continually erode as the Australian Government continues with its policies of diminishing levels of protection for Australian industry.

CER, of course, accords eventual free access to the Australian market for New Zealand exporters, but given export incentives and a weak New Zealand dollar, the value of the tariff preferences so obtained especially in relation to what might have to be given away makes the whole exercise rather questionable.

On top of this complicating factor:

- We have far more strained political relations than we had in 1978/79, due to the Springbok tour.
- There is a completely different relationship between currencies. New Zealand has devalued against Australia by 18.7 per cent since June 1978. Financial observers are confidently predicting the New Zealand dollar being worth only A60c by this time next year. The size of these currency adjustments make all the haggling about whether New Zealand has a 4 to 5 per cent advantage on export incentives look rather silly.

Even if items were withdrawn from Schedule A, it would in many cases not harm New Zealand exports because the tariff disadvantage would be more than offset by favourable currency adjustments.

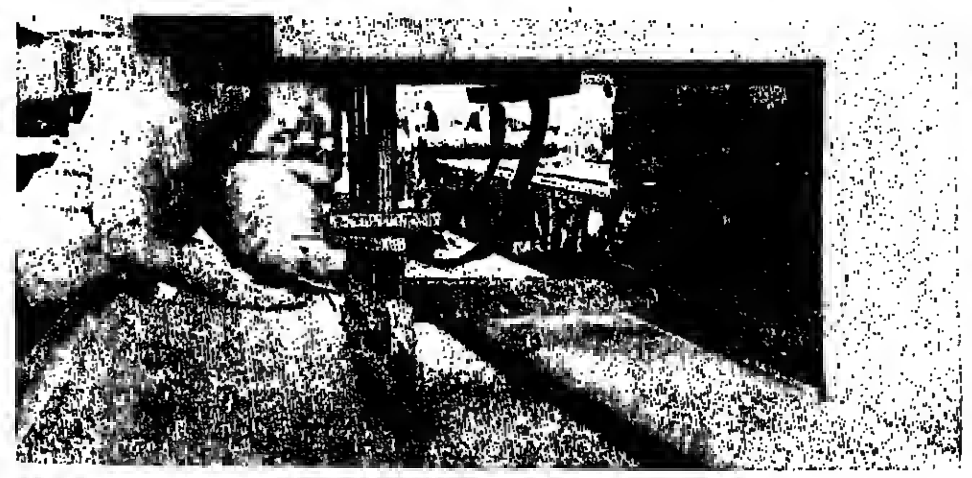
Futhermore, it would mean less Australian access to the New Zealand market. From the consumer's point of view (and the balance of payments) if we are going to import goods, they should be from the cheapest source and usually Australia is only the next dearest.

- On top of the trans-Tasman arguments about export incentives, both countries now face third-country problems because of the Gatt subsidies code.
- Australian economic conditions have changed markedly with decreasing unemployment and higher growth, giving the Government more scope to lower levels of assistance for Australian industry. The Australian Government recently announced a review to be undertaken by the IAC of budgetary assistance to industry.
- New Zealand is in the middle of an extensive industries study programme with many recommendations and decisions having major implications, not only for the industrial structure, but also for CER.

The plastics industry is a good example. Recommendations made by the IDC on the plastics industry generally argue for a change in the method of protection from import licensing to tariffs.

This means that most of the plastics industry, if the recommendations are accepted, will be reliant on tariffs for protection, yet under CER the proposal is to dismantle tariffs over a five-year period (leaving import licensing the main device protecting New Zealand industry against Australian competitors).

This could leave large sections of the plastics industry with no protection whatsoever against Australian imports after a very short period of time.



Plastics . . . our industry could be left unprotected

Other industry studies are sure to come across the same dilemmas.

- Since negotiations began, the Australian Government has come down with a very protectionist seven-year deal for the clothing, footwear and textile industries.
- Extensive taxation reform is being undertaken, or contemplated, in both countries.

In addition to this confusion, the Australians now want a termination date for import licensing in New Zealand — something which manufacturers would be likely to resist very strongly.

Publicly, the politicians claim that their attention is being taken up by electoral issues in New Zealand and that, in Australia, the magnitude of the consultation process has inevitably caused a slow down in negotiations.

The facts of the matter are that in Australia, CER is being given a very low priority and industrial development policies there, such as the present protection review, show scant regard for CER.

In New Zealand, the pace of development is undoubtedly governed by extreme political sensitivity. Issues such as national pricing, the product content of the deferred category, the negative list of industries and the general sensitivity about protection, make rapid progress with the CER politically untenable.

Manufacturers are starting to ask questions which are difficult to answer — what items are on the deferred lists; how will the Government deal with issues such as national pricing; will Wattles be allowed to charge more for its products delivered into Greymouth than it does into Hastings?

In official circles there still appears to be optimism about the likelihood of a CER agreement being concluded in the first quarter of 1982 and put into operation in early 1983.

Despite this, however, given the changed circumstances, many in New Zealand are certain to question just what is in it for them.

Right now, only one thing is certain about CER, and that is that Kangaroo meat is definitely on the deferred list.

Value of GATT: giving world trade 'rule of law'

by Arthur Dunkel

New Zealand last month took an important step in its international trading relationships when it agreed — under strong United States pressure — to sign the Code on Subsidies of Gatt, the General Agreement on Trade and Tariffs.

In effect, signing the code will mean a re-examination and, at least, alteration of our system of export incentives, which have come under increasing fire internationally.

Our agreement to become a signatory to the code came during the same month as a visit to New Zealand by the director-general of Gatt, Arthur Dunkel.

During his visit, Dunkel addressed the New Zealand Chambers of Commerce in Wellington on "New Zealand and Gatt: the rule of law in international trade".

This article is an edited version of his comments.

FOR more than 30 years, the world trade system has been managed in accordance with the set of principles and rules embodied in Gatt. This set of rules is part of a broader framework which includes the International Monetary Fund in the monetary field and the multilateral development agencies.

It was originally to be part of a much wider-ranging effort to manage the world economy, in the guise of the still-born International Trade Organisation.

A country like New Zealand may feel that 30 years of Gatt membership has not produced all that was hoped for at the outset: but for a country dependent to an extraordinary degree on international trade there is no viable alternative to the rule of law which Gatt embodies.

Gatt is still alive, despite the demise of the Bretton Woods system. It has not lost the strength it had gathered through the years of prosperity and relative euphoria which ended a decade ago.

It has survived the weakening of international monetary disciplines, the mounting protectionist pressures, the dangers of beggar-thy-neighbour policies in the aftermath of two successive oil crises.

But we must not be led by the positive conclusion of the Tokyo Round into undue complacency about the strength of the open trading system.

The function of Gatt is to provide stability — and stability means predictability — so that manufacturers, farmers and traders can plan and invest in the knowledge that their export markets — and their sources of essential imported materials — will not suddenly be closed to them.

Second, it arms governments against protectionist pressure groups and codifies the common interest in the open trading system.

Third, it protects the weaker against the stronger by introducing the rule of law — you might say democracy — into international trading relations. A small country can bring a giant before the Gatt, and win its case, because the giant will in general recognise that the respect of the rule of law is to its advantage, as it is to any nation with a serious interest in trade; and that this advantage more than outweighs the loss of any individual case.

Smaller countries would have most to lose from a general decline in respect for the law, which would give even greater weight to disparities in economic power.

The major tasks of the contracting parties over the next few years are:

- To implement the results of the Tokyo Round;
- To reaffirm the primacy of basic Gatt principles and rules in all aspects of international trade relations;
- To integrate the developing countries more fully into this basic structure of rules and principles;
- To bring trade in agriculture within more effective multilateral disciplines.

Gatt has entered an active phase involving, the area of non-tariff barriers, considerable efforts by governments to adapt their internal regulations and administrative procedure to conform to their new international commitments. This is the process to which Gatt has devoted most attention during the last 18 months, and I think it has been going well.

New Zealand has received tangible benefits for its trade as a result of the Tokyo Round. There were concessions on tariffs and minimum access agreed to in the dairy, meat and other sectors of interest to New Zealand.

Also of direct interest to New Zealand was the successful conclusion of a comprehensive dairy arrangement with economic provisions subscribed to by the major exporting and importing countries, and a multilateral framework of consultation on bovine meat.

The Standards Code commits signatories to making sure that technical regulations or standards, and the testing and certification schemes related to them shall not create unnecessary obstacles to trade.

The codes on import licensing procedures and customs valuation are also potentially beneficial to New Zealand.

Reaffirming Gatt principles in international trade relations, which is the second main task ahead, involves more on the part of governments than simply expressing their continued attachment to the multilateral trading system. It involves, on the one hand, completing the system where it is lacking, and, on the other hand, bringing under it trade policy actions which have so far escaped the disciplines of Gatt, either because they had not been foreseen by the drafters of the general agreement, or because governments are seeking to avoid their obligations under the general agreement.

One major weakness of the Gatt is that agricultural trade has not benefited to the same degree as trade in manufactures from the liberalisation process; it remains subject to a variety of special systems — waivers, subsidies and so on — which restrict access to markets.

This is a matter of special concern to New Zealand; it is also a matter of general concern.

A number of developing countries will shortly enter world markets as major exporters of "temperate" agricultural products and processed foods, and this will add to the pressure for greater transparency and easier access.

We have begun to make the first steps in this direction in recent months. Indeed, at its meeting this month Gatt's consultative group of 18 will discuss an important study, carried out in the secretariat largely at the instigation of New Zealand and some other major agricultural exporters, of the way in which Gatt rules apply or fail to apply in the agricultural sector.

Not for many years has this fundamental question been addressed at high level, and I believe that this meeting will be the start of a profoundly important date.

There are a number of other important activities which have developed spontaneously over the last decades, and for which no coherent set of international rules exists. Among these I would stress services and investment.

It is increasingly difficult to ignore these matters, and governments are beginning to think of possible ways of dealing with them at the international level. The issue of services has been posed in Gatt, and we have started to examine what might be the practical problems of applying the Gatt in this sector.

All this is, of course, without commitment, but with a keener awareness on the part of governments and the Gatt secretariat of the growing importance of services in the world trade and of creating conditions for the expansion of these activities which are becoming the mainstay of the so-called "post industrial era".

New Zealand — a member of the consultative group of 18 — will play its traditional role on the side of the open trading system; but I hope that your advocacy of free and fair competition will not be limited solely to the sphere of agriculture.

Governments are trying to face the stresses of the times, notably by resisting protectionist pressures in the face of serious economic difficulties.

But governments and Gatt need the support of the economic agents — the private entrepreneurs — who operate in the real world — their dynamism, their farsightedness and their restraint, to maintain and reinforce liberal trade policies and fair competition.

Trade mission taps rich potential in Canadian market

by Allen Parker

A MAJOR push to double manufactured exports to Canada within a year — and total exports in four years — is being mounted by the leaders of New Zealand's first formal trade and investment mission to the resource-rich North American nation.

The mission has reported that Canada offers significant trading opportunities for New Zealand exporters — but that it has been "under-rated and given inadequate attention" in the past.

The members of the team want manufactured exports to reach \$14 million by 1982 and total exports (mainly agricultural products) to reach nearly \$200 million by 1985.

"Exporting companies should urgently investigate the Canadian market. Without exception, the mission was favourably impressed by opportunities for New Zealand business . . .", their wrap-up report says.

This "Canada is credible" concept will be promoted to New Zealand trade associations which will also be asked to adopt the export-doubling target, by the mission leaders.

The mission leaders, Chambers of Commerce officials Stan Hull and Ross Martin, have outlined prospects in Canada in a report on the June mission, which was sponsored by both the chambers and the New Zealand Manufacturers Federation.

Mission personnel were drawn from both groups as well as from bankers, financiers, and exporters of processed primary products and manufactured goods.

Noting that most New Zealand exporters "cut their teeth" on the nearby Australian market, mission leader Hull notes that Canada is a similar market.

"I find it most interesting that many successful New Zealand exporters have not ventured into the Canadian market but have chased the difficult markets of the East, the Arabian countries and similar difficult markets before looking at Canada," he said.

"I consider this is perhaps because of its size and distance from New Zealand but believe that if companies decide that they should look at Canada as a segmented market, perhaps concentrating on the west coast or Toronto initially, then it is likely that they can find export opportunities."

Hull believes that any company that can successfully export to Australia is "likely to be able to do the same" in Canada.

The report itself adds: "We do not guarantee that every exporter seeking to sell goods in Canada will find a market, but we do believe that diligence and persistence will be rewarded.

"Because of the special characteristics of the market we would expect new business to have a greater emphasis on joint venture and licensing arrangements. These specialist business arrangements will require a very intelligent, energetic and entrepreneurial attitude."

Current New Zealand exports to Canada are largely confined to primary staples (90 per cent of total June 1980 exports of \$97.2 million; 52 per cent of this beef; only 2 per cent of total New Zealand exports).

But manufactured items of high quality, high value or specialist lines have experienced "vigorous" growth in more recent years. Carpets and textile yarns, with 1980 exports of \$2.9 million, have been the single most successful manufactured exports.

The mission report's authors believe, however, that with such a large consumer market purchasing a very diverse range of products, "virtually anything made in New Zealand" has a potential market, although competitiveness is the key to success.

"In general, specialised, fashion, up-market products, price competitive products based on our natural resource advantages or specialised intermediate goods for supply to the agricultural and resource-based industries stand the best chance of success," the report says.

The authors think the food trade offers "exciting" prospects. For example, 30 per cent of the average Canadian household food budget is spent at restaurants; the province of Quebec alone imports \$3 billion worth of food each year.

Another key opportunity: a real estate boom in some provinces offers prospects for restoration-based products and items enhancing home quality.

"With values soaring, consumers tend to buy what they consider to be the most suitable rather than the best-priced article," the report says.

Canada is thus an affluent market that is itself investing heavily in developing its own resources, particularly in energy, forestry, minerals and high technology.

"To create employment opportunities as fast as possible and despite a balance of payments deficit, they are going to import at internationally competitive prices many of their needs, rather than suffer delays and higher prices by adopting a policy which would encourage the establishment of relatively short-life, high-cost import substitution industries," says Hull.

Opportunities for spin-offs from these resource developments are foreseen. Some trade mission members obtained orders in Alberta from these developments.

Also, market size — on a province-by-province basis — is compatible with New Zealand capacity without suppliers here being overwhelmed.

Two final market opportunities identified by the mission: further lamb sales and greater tourism to add to last year's 19,000 visitors from Canada last year.

Actual investment in Canada is more likely to be exchanges of technology and joint manufacture, according to the mission, rather than large equity investment.

On the other hand, Hull adds, "there is a substantial interest in Canada in investment in New Zealand — the Alberta Gas Company and Alcan are existing links of the type that Hull believes will grow in future.

"Of particular interest to a large number of Canadian businessmen was the . . . closer economic relationship which was likely to be developed between Australia and New Zealand which would enable a client situated in New Zealand to serve not only a three million market but an 18 million consumer market."

The small size and remoteness of manufacturing in New Zealand is regarded by Canadians as an advantage because it poses no threat to Canadian manufacturers and traders.

"The small penetration of New Zealand manufactured products into the market has the advantage that our reputation is as yet unspoiled," says the report.

"Nevertheless, the New Zealand economy is conceived of as being essentially pastoral. This means that the establishment of trading credibility in manufactured goods is an important factor in securing business."

The Canadian market: some key facts.

- Sophisticated and affluent with a population of 24 million;
- High consumer spending power, retail sales per head are \$US2711, compared with \$US2254 in New Zealand;
- The sixth largest producer of manufactured products in the world;
- The economy is forecast to grow by 2.9 per cent in real terms in 1981;
- Strict Federal Government controls on money supply, with the prime lending rate in Canada now about 21 per cent, with a subsequent marked influence on economic activity and business attitudes towards order quantities and inventory levels.

The trade and investment mission identified several constraints in trading with Canada. The top ten:

- Regularity of delivery, although cost is not as great an impediment as might be thought;
- Large product mark-ups — one New Zealand exporter with an fob price of \$US10.50 was faced with a retail price of \$85;
- Regulations on labelling and standards are strictly policed;
- Larger distributors will want a reasonable product size range;
- Very few New Zealand manufactured products have as yet established a reputation in the market — credibility is a vital factor in securing initial orders;
- There may be initial suspicion about whether delivery schedules can be kept and prices held — up to three visits may be required to overcome this fear;
- High interest rate levels are critical in purchasing decisions, with inventories at retail level kept to an absolute minimum;
- Product modification may be required to meet climatic, fashion or standards requirements;
- The high costs of visiting — including two possible returns — means initial research of market feasibility must be professional;
- Avoid winter visits — in Alberta, for example, temperatures can fall as low as -40degrees Celsius

Money market

Reserve assets down, money supply up — what now?

by Bob Edlin

INTEREST rate controls — which Finance Minister Rob Muldoon threatens to reintroduce — comprise one instrument of economic policy available to governments. Controlling growth in the money supply through reserve asset ratios is another. This article backgrounds the introduction of these controls and records the Reserve Bank Bulletin's accounting of influences on trading bank reserve assets in 1980/81.

THE reserve assets of the trading bank system fell by $27 million in the 1980-81 year, compared with increases of more than $120 million each year in the previous two years. The drop points to an increase in the money supply.

It also raises questions about the level of money supply growth that the economy can tolerate, and the best means of curbing that growth to ensure against otherwise inevitable inflationary pressures.

Friedmanite monetarist policies emphasise control of money supply growth, rather than interest rate policies, for example, to control inflation. And the reserve asset ratio system, introduced in 1973, is one means available to the Government for controlling growth in the money supply in this country, if it wanted to take monetarist steps to tackle an inflation rate now running at about 15 per cent.

The system was also introduced to enable trading banks to play a more effective role in the financial system, by enabling them to compete with other financial institutions. The previous system of ceilings on advances to control bank lending encouraged people to turn to other, more costly intermediaries.

Under the scheme, each trading bank must hold a minimum amount of reserve assets (Government securities, deposits with the Reserve Bank and Reserve Bank notes).

The minimum amounts of reserve assets are the equivalent of specified percentages of trading bank demand and time liabilities. The percentages are variable at the discretion of the Minister of Finance, so that he can regulate the flow of money into the economy.

The ratios can be varied for two reasons:

- As a policy measure to try to expand or curb spending in the private sector. An increase in the reserve assets ratios will reduce lending and/or increase competition for deposits. Both are considered desirable reactions when restraint is required. A decrease in the ratios will encourage the banks to lend more and/or reduce deposits — policy action to be taken if expansion of the economy is desirable.
- The ratios are variable as a technical measure to take account of seasonal and random fluctuations in the level of reserve assets.

Banks which cannot meet the minimum reserve asset requirement must borrow from the Reserve Bank the sums needed to reach the requirement on a "lender of last resort" basis on conditions designed to "encourage the banks to conform to policy as quickly as possible".

As the Reserve Bank reported in the year of the scheme's introduction: "Trading bank lending and deposit taking functions should be the shock-absorbing elements in the financial system, expanding and contracting to meet the fluctuating short-term money needs of the economy without undue disruption. This is not to say that trading bank lending should be allowed to expand in an inflationary way, but rather that it should be sufficiently flexible to accommodate short-term fluctuations in the community's credit requirements."

The system was introduced at a time when trading bank lending was increasing at an extremely fast rate. Concern was expressed then — as it is now — that consumption spending was expanding at too fast a rate, and was placing pressures on available resources that could not be sustained for long.

The scheme was soon put to the test. In August 1973, the trading banks were given a directive (under the Reserve Bank Act) to give very low priority to lending for personal purposes (other than housing) and to ensure that changes in lending policies did not disturb import flows.

At the same time, the banks and finance companies were advised that their ratios would be increased in December 1973 by two percentage points above the level they would otherwise have been for that month.

(Under the system, at least three months' notice of policy changes in the ratios is given, if possible, so that banks can adapt their policies to meet Reserve Bank requirements.)

Banks were also warned at that time that the interest rate on any borrowing from the Reserve Bank to meet their reserve asset requirements would be higher than the 6 per cent which then prevailed.

Further measures were taken in October 1973 to direct funds according to Government policy.

By the end of the year, the Reserve Bank reported in 1974, there was "increasing evidence of a slowing-down in the rate of granting of new credit limits and in the rate of growth of loans outstanding."

The 1973 experience shows how the Government could curb the tremendous growth in the money supply — much of it going into consumer spending — that has developed this year.

Reserve Bank figures show a fall in the reserve assets in the 1980-81 year, which suggest the growth in the money supply began before the start of the 1981 calendar year.

The September issue of the Reserve Bank *Bulletin* reviews the major influences on trading bank reserve assets in 1980/81, and looks at:

- Injections of Government money;
- The Reserve Bank's role as banker to the marketing boards;
- The deterioration in overseas exchange transactions current account balance;
- Reserve Bank advances to the trading banks and money market;
- Private sector deposits at the Reserve Bank;
- The public's holding of notes and coins.

The fall of $27 million in the asset ratios in 1980-81 occurred in spite of a larger injection from Government than in the previous two years. These were offset by movements in most of the other major influences, according to the *Bulletin*.

The net Government injection in 1980-81 amounted to $224 million. This was substantially less than the budget deficit before capital transactions for two main reasons.

- The Government's deficit on overseas transactions via the Reserve Bank — transactions not affecting the reserve assets of the trading bank system — was marginally smaller than that in 1979-80 at $590 million. But it still accounted for a substantial portion of the overall budget deficit.

The high level of Government overseas deficit expenditure was largely related to the costs of servicing overseas debt.

- Government borrowing of $719 million from the non-bank private sector (which takes into account trading bank purchases of Government securities from the non-bank private sector) over the 1980-81 year covered almost half the overall budget deficit before capital transactions.

In 1979-80, domestic borrowing more than covered the Government's internal deficit (resulting in an internal cash surplus after borrowing of $168 million). But in 1980-81, domestic borrowing from the non-bank private sector did not fully cover the internal deficit.

The Reserve Bank acts as broker to the marketing boards — particularly the Dairy Board. And the net injection to the banking system in 1980-81 was again substantial, at $287 million, although it was slightly down on the injection in recent years.

In fact, the last time it was below a net injection of $300 million was in 1975-76, when the injection amounted to $228 million.

Both components of this injection contributed to its relatively smaller size when compared with 1979-80.

Lending to the marketing boards by the Reserve Bank grew less in 1980-81 (up by $18 million) than in the previous year (up by $83 million).

Net foreign exchange receipts of the Reserve Bank from the private sector were also less at $270 million ($299 million in 1979-80).

The overseas exchange transactions current account balance "showed a marked deterioration in 1980-81," says the *Bulletin*. The deficit of $716 million was $233 million higher than in 1979-80.

The amount of the deficit attributable to Government and private flows via the Reserve Bank and Thomas Cook Pty Limited was much the same in 1980-81 as in 1979-80. The current account deficit via the trading banks was therefore substantially higher in 1980-81 than in the previous year.

Offsetting the $374 million loss of domestic reserve assets through the current account deficit via the trading banks in 1980-81 ($168 million in 1979-80), there was a private capital inflow via the trading banks of $111 million ($99 million in 1979-80).

Adjusting the resulting net foreign exchange requirement for the increase in trading bank net overseas assets over the year, trading banks purchases from the Reserve Bank of foreign exchange over the 1980-81 year were an estimated $333 million, $90 million less than actual purchases.

The corresponding estimate for the 1979-80 year was $103 million ($116 million less than the actual figure).

The nature of the influence of Reserve Bank advances to the trading banks and money market changed in March 1978, when the compensatory deposits scheme was introduced.

Under this scheme, the Reserve Bank places deposits with the trading banks in March and September each year, to offset the large negative influence on reserve assets arising from the provisional and terminal income tax payments in those months.

The deposits are repaid progressively after the tax flow ceases, over a repayment period of about 2½ months. This effectively means that the impact of the tax flows is spread out over about 2½ months.

These arrangements have a positive influence on reserve assets in the March and September quarters and a negative influence in the June and December quarters, except where trading bank borrowings from the Reserve Bank for reserve asset purposes alter the usual pattern (as happened in December 1978).

The significantly smaller injection through this influence on reserve assets in the March 1979 quarter "can be explained by repayments of the borrowing for reserve asset purposes undertaken in December 1978 and the fact that for March 1979 (and thereafter) compensatory deposits were calculated on the basis of offsetting only a proportion of the tax flow (75 per cent) as opposed to the 100 per cent offset in March and September 1978."

The influence of private sector deposits at the Reserve Bank arises mainly from changes in the balances of the various farm income stabilisation accounts held there.

In 1979-80, these deposits together increased by $86 million. The biggest individual influences were the meat income stabilisation account (up to $29 million); the wool income stabilisation account (up $48 million); and farm income equalisation accounts (up to $9 million).

The rise in these deposits is a

Continued next page

Hardware DATA PROCESSING

'Q' series — yet unsighted — selling well in advance

by Stephen Bell

DAVID Reid Data Products' Q Series minicomputer (*NBR*, September 7) has taken off to a meteoric start, with orders already placed for 30 machines, to a value of $500,000. Not bad, as managing director Frank Ollie says, for a machine that no one has seen yet.

The success clearly relies on a market which already knows David Reid's existing systems based on the Digital Equipment LSI-11, is impressed with the promised price-performance and disc-storage statistics of the new machine, and knows the firm will be able to match its promises with a machine integrated from components it already knows well.

Ollie confirms that initial sales have been made into the established marketplace for the company's LSI-11-based systems; clients who, above all, are technically knowledgeable, and do not object to having to provide much of their own software.

This is precisely the kind of customer who feels safe buying a machine on the specifications alone, without having seen it.

As visible hardware and software develops, Reid will begin to expand its market carefully, first to the technical organisations, content with a basic view of the machine, then to software houses and finally to the end-user, looking for a fully-fledged, applications-oriented demonstration.

The end-user market is not expected to be approachable before the beginning of next year.

As for the visibility of the Q series hardware itself, "we have a bet with ourselves that we'll have two running models by October 16," said Ollie.

A table-top model will include 20 Mbytes of "Winchester" disc storage — compact hard-disc modules sealed together with their read-write heads in a dust-proof enclosure.

There are two basic Q series processors, currently based on Digital Equipment's LSI-11/2 and more powerful LSI-11/23 processors.

But the systems can be slotted together from a variety of components, including Winchester, removable or floppy disc, tape subsystems, printers and other peripherals communications interfaces and memory modules, around the "Q-bus" internal data transfer system which gives the series its name.

Such a customised philosophy clearly makes the machines particularly attractive to systems houses, looking for a machine with particular capabilities, to support a particular suite of software with no redundancy.

Most of the systems ordered so far include the Japanese-manufactured Winchester discs; there seems little enthusiasm for floppy discs, hitherto the staple storage medium of micro and mini-scale equipment, Ollie said.

Latest software release for the Q series shows the beginning of the anticipated move away from dependence on Digital Equipment.

The time-sharing operating systems TSX and TSX-Plus, from another United States source, reproduce the environment of Digital's RT-11 solo operating system for several users concurrently.

TSX provides a framework for RT-11 to operate with up to 10 users; it still requires the user to have RT-11 software and to pay Digital a licence fee for it. But TSX-Plus reproduces the RT-11 environment for 20 users without using the Digital software itself.

TSX, however, is only an interim measure. By the first half of next year, Reid expects to standardise on Xinex, a microprocessor version of the Bell Unix operating system, respected for its capability and user "friendliness".

Unix is already supported on several systems of micro, mini and large scale and gives Reid a means of fulfilling the promise of the Q series — to provide an effective and painless "bridge" from microprocessor-based business systems to minicomputers and thence to mainframes.

Sometime next year, Reid expects to make the final break with Digital and hitch other processors on to the Q-bus. The standard Q-bus organisation will allow the attachment of various processor alternatives as appropriate for power and economy, and operating with either 16-bit or the increasingly popular 32-bit word length.

CD 'remembers' IBM

UNITED States computer manufacturer Control Data derives a large slice of its income not from its own machines, but by piggy-backing on the leading position of rival IBM.

CD, which turns out memory modules and disc storage to plug directly into IBM's processors, has now followed IBM into the use of denser microcircuit chips for its memories.

The move is a logical one, maintaining CD's competition with the "native" product. Its new Universal Main Memory Systems (UMS-5) attack the middle to high end of the IBM spectrum, plugging into IBM's 370/158, 168 and 3033 mainframes, as well as the now largely outmoded 3031 and 3032.

The attractiveness of CD memory relies on lower prices and increased capacity, as well as claimed improvements in reliability over the IBM "native" product.

The newly-released UMS-5 provides the 370/168, 3031 and 3032 with double IBM's maximum memory capacity, and increases the memory on the 158 from 6 to 8 million bytes. On the 3033 systems capacity equals that offered by IBM.

In the event of memory error, CD allows the faulty memory segments — either its own memory or IBM's — to be disabled; the internal "addresses" concerned will be relocated to a functioning memory module, allowing systems to keep running.

For the first time, the new CD memory operates directly from the central processor's power supply. This makes connection easier and allows the CD memory to be stored within the IBM cabinet.

Smaller, without sacrifice

THE "family" organisation of computer models, with a series of discrete steps in computer power offered at proportionate prices, seems to be yielding to a new movement in the "large minicomputer" world.

Two recent releases, Data General's MV/6000 and Perkin Elmer's latest, the 3210, show manufacturers producing new "smaller" and cheaper models with power almost equivalent to their bigger brothers.

The aim for the present seems to be virtually to stand still on power and to bring the newer generation of equipment, based on the 32-bit word, down to the level of the smaller user.

Besides offering the same power at lower price, this allows direct support of the larger amounts of memory needed for increasingly complex commercial applications and gives the small user a direct growth path up a uniform line of computers with a similar architecture.

Data General has achieved more power for less cost by sacrificing terminal support, while Perkin-Elmer appears to have achieved the improvement by the use of the latest 64 K-bit microprocessor chips.

Word is that Perkin-Elmer's older 16-bit machines will now be targeted firmly at the scientific and technical market, while the 32-bit processors will enhance their commercial orientation.

Money market

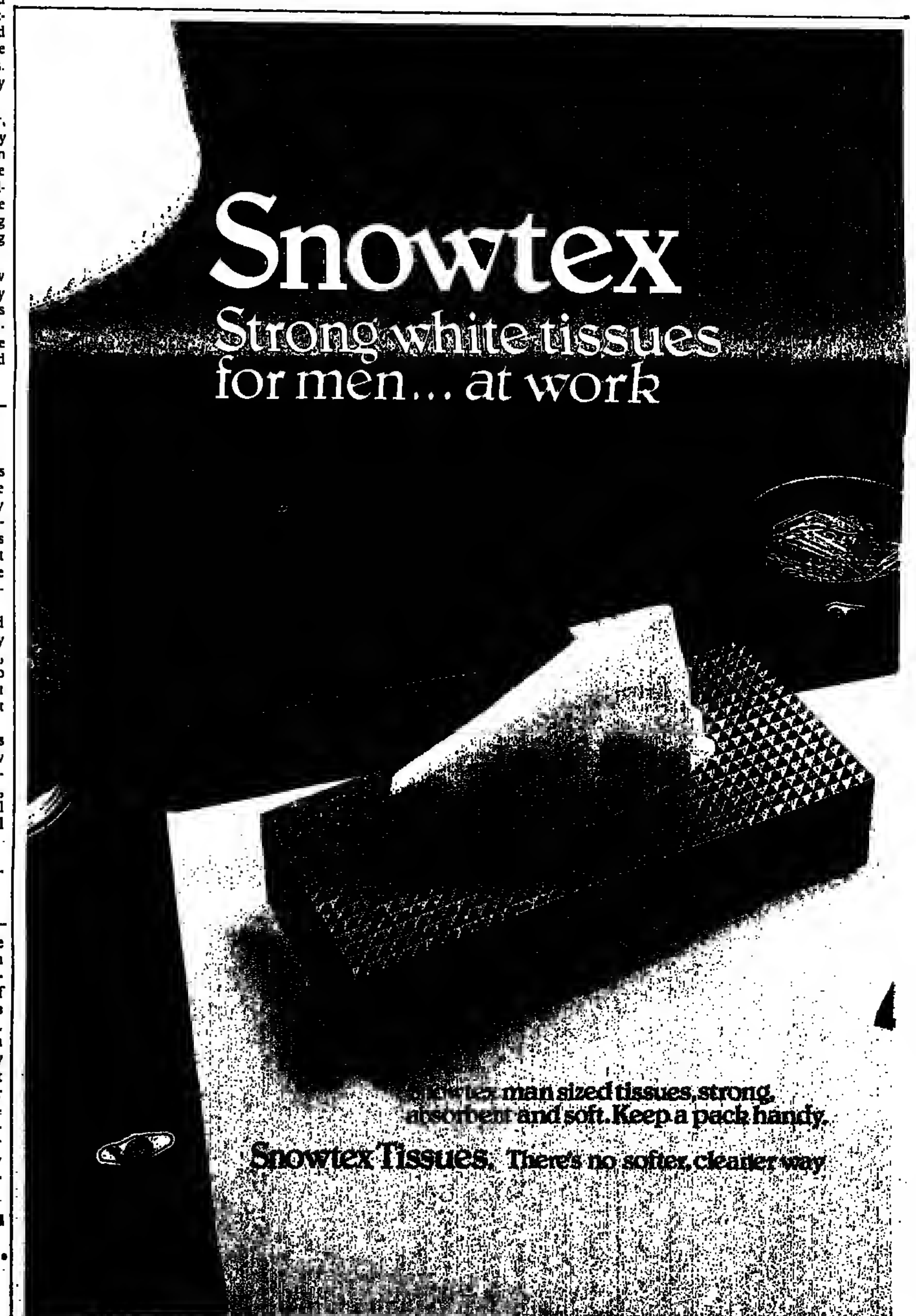
From Page 36

negative influence on reserve assets.

In 1980-81 the total of these deposits fell by $46 million. The falls of $15 million and $48 million in the meat and wool income stabilisation accounts respectively were partly offset by a rise of $12 million in the farm income equalisation account.

The public's holdings of notes and coin continued to rise, "as would be expected with steadily rising prices and nominal incomes," says the *Bulletin*. Accordingly, as with all years since 1969-70, this influence on the reserve assets of the banking system was negative.

The usual seasonal pattern prevailed with currency holdings being built up most strongly in the December quarter (reflecting most strongly in Christmas cash requirements). These higher levels of holdings were partially run down again in the following quarter.



ICL sees 'maxi-micro' networks as its salvation

ICL users attending the annual conference at Rotorua this week can expect to hear distributed processing as the British computer manufacturer's cornerstone for the future.

In train with predictions (*NBR*, June 22), the company, under its new microcomputer-experienced managing director Robert Wilmot, is moving into networks of microcomputers and what most people would call minis.

ICL designates its future machines with the curious term "maxi-micros", presumably to emphasise upgrade capability from the micro-based intelligent workstations which will be the first models released.

The strategy comes under the general name DRS (Distributed Resource System) and includes the release of ICL's anticipated "local area network" discipline (*NBR*, August 3), "MicroLAN", which will serve as a low-cost link among the local workstations and "minicomputers" in a suite of offices.

Links will naturally be provided from such a network into ICL's standard Information Processing Architecture and other conventional communications disciplines between larger computers, whether produced by ICL or competitors.

The logical development from LANs is to move wholeheartedly into the office automation field. This is another declared aim of the new ICL management, and the company has already tiptoed around the edges with its 7700 word processing/data-processing machine and its videotex system.

But there must be doubts whether the network at its present rate of 1 million bits/second would be capable of supporting office functions of any complexity, particularly large-scale information storage and retrieval.

In line with its new emphasis on the small end of the market, ICL looks like making the major break over which it has long hesitated, by moving out of the larger end of the 2900 series.

With its new emphasis on networking, the company will meet its large users' needs in future by linking medium-sized mainframes, with the 2966 probably the largest involved in such networks.

This again raises questions, with regard to operating software. ICL's new single standard operating system VME 2900 derives chiefly from the VME/B system, originally designed for the larger machine architecture.

But the most pressing question of all must be: has ICL moved too late into an already crowded marketplace?

ICL 2900 . . . larger models may not be made in future, at least not by ICL.

Conference big event

ICL's three-day user conference this week promises to be a major event in the local image-building effort of the British computer company.

Even without the announcement of its plans for distributed and large systems, visitors from ICL's head office would have been the centre for keen questioning by New Zealand users as to the company's financial future.

But with an obviously major change in direction under ICL's newly appointed top men, the 1981 conference, in Rotorua, will probably be one of the best attended and most attention-grabbing to date.

Several last-minute changes to the programme will disappoint delegates, but at least one of the late guests from ICL(UK) will add to the anticipation. Terry Ward manages ICL's large systems, a part of the range considered to be in limbo with ICL's new emphasis on the smaller end of the market.

Ward will make a major announcement clearly relating either to ICL's back-out from this area of the market, or the handing over of large systems manufacture to another company.

Another last-minute visitor from the UK will be Stuart Gould of Nottingham University, secretary-general of the International Federation of ICL Computer Users' Associations.

On ICL's own international front, Doug Cornish, director of international operations will not now be attending, but will be replaced by Ward.

Behind all the long-range planning revelations will be the usual selection of major local users from government and private sector, debating subjects ranging from the technical (the X.25 public packet-switching network) to the human side of the business — the perennial education and industrial relations debates.

Time has been provided for free-ranging discussion of common topics of interest among the users of the various types of ICL equipment, as well as for executive delegates with no direct DP involvement.

The conference will run from Wednesday to Friday at the Rotorua Travelodge.

Challenge decision held to December

MULLING over further opportunities for the broad line of products it has now accumulated, Challenge Computers has had to let the vital decision on its major network slip a little, and final board approval is now not expected before December.

The decision is between existing incumbent Burroughs and Japanese-based Facom, with ICL as an outside contender.

Considering Challenge's current involvement with the Facom V series and Tasman Pulp and Paper's choice of a Facom M180 mainframe, the decision is considered by many industry observers to be a foregone conclusion.

But Challenge Computers general manager Terry Smith emphasises that "a lot of information and analytical work" will be going into a carefully considered final decision, and that the existing Burroughs 6700 machines are, in the meantime, managing the load quite well.

Careful consolidation of the management of existing lines like the Facom Vs, the Sord microcomputer and the Jacquard word/data processors, and the search for appropriate "market opportunities" have been taking up a good deal of time, he told *NBR*.

The evaluation committee for the network "hasn't met as often as we would have liked."

A niche was sought for both Facom and Sord machines as front-ends to the bureau network, Smith confirmed, and a good deal of work was going into the planning of a straightforward interface to the Sord, so the user could virtually "flick a switch" and get through to the big machines.

But Burroughs and Facom machines would be equally capable of supporting such remote users, he stressed.

The V Series market still seems to be moving quite slowly, with six machines installed.

Two of these are in Fletcher Challenge subsidiaries, and another was bought before Challenge took on the agency.

But Challenge is reported to be close to at least two more orders, which could be announced in the next few weeks.

Enter Ofisfile, the instant 'where's whatsit?' system

THREE months after its release in the United States, Burroughs has brought its Ofis 1 office automation system to New Zealand — minus its most novel element, the content-addressable large-file store known as Ofisfile.

The file, a cornerstone of the Ofis range, allows the business user to retrieve textual information from electronic storage solely by virtue of its contents, without the time-consuming *record*-by-record search or indexing methods more common in conventional files.

Such retrieval can, of course, be simulated by an appropriate software program, but the only other major information processing company to attempt to provide the capability with specially built hardware is ICL, with its CAFS device.

ICL CAFS, an expensive beast which needs to be connected to a computer, has to date reached only a few specialist users like the British Post Office.

Burroughs's Ofisfile, however, is aimed directly at the general business, and can have terminals linked directly into it.

A document can be retrieved from the Ofisfile simply by

quoting any word or series of words which you can remember as having been in the document, Burroughs claims. The device includes a thesaurus, so even misspelt words or synonyms will be handled.

It is possible, of course, that several documents will meet the criteria more or less, in which case the closest match is displayed on the terminal screen first. The titles or full text of the other documents can then be brought up in turn.

The first local appearance of the Ofisfile is scheduled for the Burroughs Computer Users' Association conference to be held in Rotorua next month.

Bundled together with the storage system is an extensive range of existing Burroughs products repackaged under the Ofis 1 heading.

The R series of word-processing equipment has re-emerged as the Ofiswriter. What used to be known as the page-reader optical character recognition system is now the Ofisreader. Tying the assembly together is the Ofisdirector, a reincarnation of the CP9000 communications processor.

The difference is in the software, which has interfaced all these components into an office information system carrying internal electronic mail from one executive to another, and allowing each user to maintain personal files of information and an appointments diary, through a small desk terminal.

Meetings can be set up with each participant notified and a time and venue booked and noted in all diaries, while no one leaves their desk terminal — which leaves one wondering why they wanted a meeting in the first place.

The terminal even flashes up an advance warning as meeting time draws near.

The concept behind the Ofis 1 system is to remove the "road blocks" to information retrieval and information flow in an organisation, said Burroughs; to eliminate the time-wasting searching for files and running around with pieces of paper.

There does appear to be a difference in the Burroughs point of attack, pitching the system directly at the business executive. Most rivals have begun on the periphery, changing typists and secretaries into word-processing operators.

But the biggest "road block" to information flow may yet prove to be in changing the executive's attitude; getting the users to enter information into the system, rather than keeping it on a scrap of paper or in their own heads.

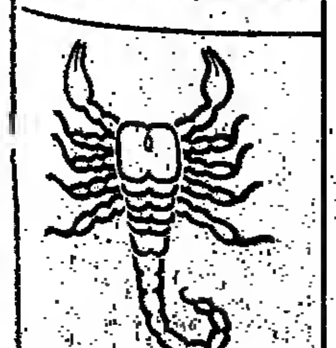
And it's interesting to note that the manager's Ofisterminal, though allowing for brief one-key commands, relies on a conventional QWERTY keyboard for information input. How many high-level executives know how to type?

There are clearly Ofis upgrades in the pipeline, one of the first being an interface with Burroughs' document facsimile devices.

The prospect of a local area network analogous to Wangnet or Rank Xerox's Ethernet also looms in the future, with some cryptic comments about optical fibres emerging in this context.

At present, Ofis 1 is linked by a "star" of up to eight (soon to be 16) conventional lines centred on an Ofisfile, or 42 from an Ofisdirector. As many as 20-30 devices can be "multidropped" on the same line.

The Ofis system will be taken on a "roadshow" tour of the country this month, covering Christchurch, Dunedin, Auckland, taking on the Ofisfile for the Rotorua conference on November 12 and then returning to Wellington.



DATA PROCESSING

Contracting

Bring in a 'temp' — there's a place for experience

THE worldwide trend towards increasing use of outside contractors for computer systems development has bitten firmly into the New Zealand market already, and is destined for further rapid growth.

This picture was confirmed by Tim Charman, of Computer People Ltd, which has recently found it worthwhile establishing a Wellington office alongside its long-standing contract activity in Auckland.

Contract staff, though still more expensive on a day-to-day basis than in-house analysts and programmers, were clearly recognised as offering significant advantages to the hard-pressed computer installation.

Contractors can be brought in to tide the organisation over a work peak, or specifically to develop a new suite of programs under a fixed-price contract.

Once the peak has subsided or the new development is finished, out go the extra programmers; no disputes, no fuss about redundancy payments, and no fringe expenses like holiday and sick-pay while they're there.

By contrast, a permanent force of programmers can be kept sitting around with little to do in a period of low development activity. The company, having perhaps expended considerable funds in training its programmers, has to watch them get up and leave in search of more interesting work.

The only alternative seems to be to offer higher and higher salary rates as an inducement to stay. The major rises in in-house rates had done much to reduce the legendary pay advantage of contractors, said Charman.

The stories of contractors being paid twice and three times in-house rates may have been true when contracting began, but the advantage had now come down to around 30 per cent, he estimated. Naturally, the declining margins are a further encouragement to use contractors.

Looking at it on a broad industry perspective, it clearly made sense to maintain a "pool" of competent talent in computer systems development in almost constant work, than to utilise the country's scarce DP staff intermittently in specific installations.

But Charman doubted the eventual emergence of large-scale installation with no in-house programmers, as suggested in last week's *NBR*.

This was already true for some small first-time installations relying totally on packages or tailored packages, he admitted, but an installation with custom-built software would have to maintain some program development staff in-house.

It may be rather the other side of the information department's dual function, the day-to-day running of the system which will disappear in time. Running of programs would increasingly be triggered by users working from terminals, and with the move towards large fixed discs, the toting around of magnetic media is not the major task it used to be.

The DP staff of the future could spend most of their time in program development, and, of course, the inevitable "maintenance" of old programs. Contractors would be called in to help them with either task.

Contrary to a popular image, contractors don't only get the exciting jobs at the forefront of technology. A good deal of maintenance work comes their way too. CPL teams have been called in on occasion simply to "straighten out" badly written and poorly documented software.

Contractor visibility in this kind of work helped to reduce possible friction between the "outsiders" and permanent staff; but this, in any case, was not a significant factor these days.

Contracting staff with their longer and more varied experience were often used deliberately as an educational resource. "Companies organise seminars to milk us for our knowledge. It raises the level of expertise of their permanent staff."

What kind of people go in for contracting work? "People looking for more money", those who had progressed as far as they could in one company, or had finished "the big job", and people who appreciated that "job security is not in working for one company; it's in the marketplace itself".

The small size of the New Zealand DP market eases the job of vetting people who want to become contract analysts and programmers. "About a third of applicants I know already," Charman told *NBR*, "and I can get a good assessment of another third through contacts in the industry."

Computer People maintains a current staff of 25 in Auckland, with 10 now serving in Wellington. Some Wellington work became necessary through working for Auckland companies with Wellington offices, but a definite opportunity had been seen in the capital.

What are the users looking for from contracting staff? "Productivity, from experienced people," answers Charman simply.

The regions

ELECTION WATCH '81

Regional differences decide how anti-Govt swing goes

BIG regional and local variations — that's what the pundits are predicting for the election now seven weeks away.

The polls provide some supporting evidence.

Support for National hovers around 40 per cent — too low for the Government to claim strong public endorsement of its policies. Half as many are against National as for it.

And a party image poll taken in June by the Heylen Research Centre for *National Business Review* rated National least favourably of the three parties.

But this anti-Government feeling has been diffused between two parties, instead of going mainly to the principal opposition party, Labour.

This diffusion strongly suggests in some regions or seats it will be Labour that gains the most benefit from any swing against the Government and in others it will be Social Credit.

To some extent this happened in 1978. In six seats where Social Credit came first or second there was a swing, on a two-party basis, *from* Labour *to* National, though the nationwide average showed a swing from National to Labour.

In another half-dozen seats where Social Credit did particularly well, coming second in most of them, the swing to Labour was either very small or well below average.

All these seats were in the "Social Credit belt", the northwestern half of the North Island above a line drawn from Feilding to Whakatane.

In that region the bulk of the anti-Government movement was unmistakably to Social Credit.

Mayor Elwood, lawyer de Cleene . . . glamour dual in Palmerston North (see Page 44).

In one sense this says no more than what happened nationally. The total Labour vote went up only roughly 55,000, compared with Social Credit's roughly 155,000.

But the disparity, in relative terms, was much more marked in the "Social Credit belt". Relative to the nationwide average, Social Credit did better out of the anti-Government swing, compared with Labour, than in the country as a whole.

But this was not the case in seats within that region where Labour was first or a strong second — notably Wanganui, New Plymouth, Taupo and most of metropolitan Auckland.

In metropolitan Auckland as a whole, the relative balance between the two parties' benefit from the swing was about average. The same goes for Wellington.

In the South Island, Labour's relative position was better than Social Credit's. This was particularly marked in Dunedin.

If the same pattern applied to the 1981 election, we could expect Labour to hold more hope of picking up a seat from National as a result of any anti-Government swing in the South Island than of picking up a similar seat in the north-west of the North Island.

And Social Credit would have a better chance of picking up seats where it is second than the overall movement might suggest.

Northland is of particular interest in this respect. In 1978 there, Social Credit got by far the most of the anti-National swing.

Along with the Waikato, Northland was the place where social credit doctrines really caught on in the 1930s. Captain Harry Rushworth, of the Auckland Farmers Union-sponsored Country Party, held Bay of Islands through the 1930s on a social credit monetary reforming policy. It is, therefore, not surprising that when the Social Credit Political league developed, it developed most strongly there.

This Election Watch supplement was compiled and written by Colin James, except for the article on Page 44.

Between 1966 and 1969 the former leader, Vern Cracknell, held Hobson in the far north. Candidates in Rodney to the south were several times second.

With the transfer of Dargaville to the southern electorate in 1977, the relative balance shifted, making the new Kaipara a better Social Credit prospect than new Bay of Islands.

But with any substantial shift to Social Credit this time, both seats must be regarded as vulnerable.

Social Credit's rural strength has rubbed off in Whangarei, too. In 1978 its share of the vote there climbed 16 per cent, twice the national average.

This may well have denied Labour the seat in 1978 — and if repeated it could do so again.

Thus there will be great interest in the particular voting behaviour of the Northland region. And, within that region, there will be special interest in the local behaviour of Whangarei.

By way of contrast, the Manawatu, just outside the Social Credit belt, should be more traditional in its behaviour. But even there, there may be local variations.

The Palmerston North seat is between National and Labour. But in the part-city, part-rural Manawatu seat, the intrusion of former National notable Ross Doughty, as Social Credit candidate has put a frisky cat between the two old pigeons.

The Birch 'affair'

IF Social Credit and Labour are looking for windfalls from the Birch affair, they shouldn't raise their hopes too high.

Judging by the views of the *National Business Review's* panel of 50 Kapiti voters, there has not been universal condemnation of Energy Minister, Bill Birch, for his holdings in a company owning land for which his ministry issued a prospecting licence.

The panel had mixed views — ranging from outraged condemnation through a shrug of the shoulders to a belief he was entitled to it.

On balance, however, the judgment was unfavourable. And few did not have an opinion. At the extreme end, several linked the Birch business with the Fitzgerald affair last year.

One National-leaning panellist, drawing this parallel, said he was losing faith in the credibility of many National MPs, though he did not know if it was going to be enough to change his vote.

Another said she felt the same way as she did over Deputy Prime Minister Duncan MacIntyre, who was at the centre of the Fitzgerald affair.

"It's not funny," she said. "I just think everything's getting out of hand now with the way things have gone."

Another said: "It's terribly wrong. I feel they shouldn't be having an interest in the land, although MPs seem to own land all over New Zealand."

One went even further: "He should be heavily fined . . . Someone should be made an example of to prevent this happening in the future."

Some, however, far from despairing for our democratic system, took a so-what line. "A bit of a non-event," said one. "It's his business and nothing to do with anybody else," said another.

Some thought the news media had blown it up. "Someone's shit-stirring," one said. "When people are ministers the media dig up things about them," said another, adding that ministers should make sure there was nothing to dig up.

On the plus side for Birch were some who thought there was nothing wrong with what he did or that he had genuinely forgotten about his holding and it should not be held against him.

Another said that "just because you are a politician you can't wipe everything you've done in the past . . . as I understand it, he'd bought the shares a long time ago and you can't see into the future and what's going to happen. Just because he's a politician it's all blown up."

But the believers and supporters were outweighed by the doubters and condemners.

Several not prepared to condemn him, nevertheless said they thought we will never know the whole story.

Perhaps the most damning comments, however, came from those who thought him "silly", "naive" or "weak".

Perhaps the way out for future Birches is to take the advice of some panellists and declare their interests compulsorily, as "the temptation would be there" under the present secret system, as one panellist put it.

ELECTION WATCH '81
Updates on the campaign weekly in NBR

The far north

Kaipara — the one Socred should, and must, win

KAIPARA is top of the Social Credit hit list. Only 520 votes separate National's Peter Wilkinson from Social Credit's Nevern McConachy.

And with Social Credit still running at more than 20 per cent nationwide in the polls — a clear 5 per cent plus on the 1978 election result — McConachy must be seen as in with a chance.

Social Crediters are already putting Kaipara in their bag.

They claim increased membership and money and highly encouraging meetings.

And they reckon they have got a better organisation in the southern part of the electorate where they feel lax organisation in 1978 may have cost them the seat.

But there are some causes for caution in putting it down as a foregone conclusion.

NORTHLAND's most distinguishing characteristic is isolation. Next is a corresponding parochialism.

Roads are poor. Once off the few tarsealed main routes, the predominant roading style is narrow, twisting gravel single-laners.

Telephones are even worse. Ten-party lines are not uncommon. Transmission quality is abysmal. London sounds closer to Auckland than the far north.

Except in pockets, agriculture is not rich. In many areas the soil is poor, needing heavy applications of fertiliser. The poverty of the gumdiggers seems to have set the tone for much of the region. Unemployment, particularly among Maoris, is very high.

Even the word "region" has to be qualified.

The Northern Wairoa area around sleepy Dargaville 200 kilometres north-west of Auckland has a cut-off feel. It even runs its own daily newspaper, though only 70 kilometres from Whangarei.

Up north Kaikohe and Kaitaia not only look askance at Whangarei, but jealously guard their own status as capitals of the mid-north and far-north.

Far from pulling together to combat the Whangarei magnet in the debate over the siting of the proposed Northland pulp mill (it is to go to Whangarei), the two mini-regions each wanted their own slice of the action.

Even Whangarei, despite rapid development based on the port and the oil refinery over the past 20 years, has a vividly parochial feel to it, the sense of resentment one associates more readily with the stagnant cities of the South Island.

And once one crosses the Brynderwyns 30 kilometres or so south of Whangarei and moves further southwards, there is a more Auckland-centred than distinctively Northland tone to the countryside.

One must therefore take care not to speak too glibly of Northland and to pay due attention to the individual parts.

Even within the mid and far-north areas developing horticulture and tourism are creating distinct local divergences.

But two generalisations are possible. A rural conservatism has for 40 years kept a strong National presence in Northland.

And, however, frustration at the isolation and a fair lack of progress or neglect are good breeding grounds for political independence. That gives Northland an unpredictability that keeps both the parties on their toes.

Kaipara and its predecessor seats that went by the name of Rodney have thrice made Social Credit second.

In 1978, McConachy's vote leapt by nearly 4000 votes and his share of the vote by about 20 per cent. This was one of the biggest Social Credit improvements in the country.

Possible reasons:

- The return of the popular McConachy to the candidacy after a two-election lay-off;
- The injection into the Kaipara organisation of the alert and active Dargaville Social Credit branch;
- Inadequate organisation by the National Party which had difficulty integrating the go-it-alone Dargaville area and, in any case, did not take the possibility of defeat seriously;
- Insufficient activity in the electorate by Wilkinson who, besides being a Cabinet minister, was for much of 1978 severely hampered by blood pressure problems;
- A very weak Labour candidate which may have pushed anti-National votes to Social Credit; defecting Values voters probably also went to Social Credit.

If there is any complacency this time round, it is likely to be found among overconfident Social Crediters rather than Nationalists.

Nevern McConachy . . . in with real chance

Kaipara has pushed its membership up to fifth highest on the National ladder.

There has been more activity on the ground particularly by a much-recovered Wilkinson, and a more assertive tone among those on the ground.

They have been helped by better farm prices and an absence of industrial strife in the freezing works, which has reduced farmer frustration with the Government.

And the possibility of losing not just Kaipara, but through its loss the Treasury benches, may have helped persuade discontented National-leaning farmers to stay with the Government.

Also going for National: a much more active Labour campaign and a much more attractive candidate, 32-year-old schoolteacher Sue Sotheran.

The previously destitute Labour Party has three branches active this time and is aiming mainly at winkling its old supporters back out of the Social Credit camp.

Labour's vote collapsed from 14 per cent to 8 per cent in 1978 — just above the disastrous 7 per cent recorded in Bruce Beetham's Rangitikei.

If Sotheran pulled her percentage back up nearer the 1978 level, that could be critical to keeping Wilkinson in.

Against this, Social Credit can point to a strong sense of tactical voting among ex-Labourites determined to vote its way just to get enemy National out. And it claims Values votes are moving its way, too.

Social Credit seems to have a vice-like grip on the Dargaville area, particularly among smaller farmers and business people. A recent foray into tiny, remote Donnelly's Crossing to Dargaville's north netted more than 40 new members.

Its problem may be in the south, around Wellsford and Warkworth, where there is less of a sense of isolation than further north and therefore less potential for prising loose National voters.

At a personal level, the contest also has its pluses and minusses for each side.

Wilkinson, a half-brother of Attorney-General Jim McLay, is basically a city slicker, a lawyer-civil servant who won the Rodney nomination in 1969 by a skilful pre-selection campaign.

He lives far from the farmers in the seclusion of Martins Bay in the south.

Add to that a nervy disposition — his eyes often look like those of a frightened rabbit — and it is not easy to see him as the easygoing, approachable, relaxed sort of chap often found in National Party rural electorates (though he is much less out-of-kilter than he was).

By contrast McConachy is almost too easygoing. He has retired from farming to live off the proceeds of a lucrative long-term subdivision near Whangarei and other business interests.

Peter Wilkinson . . . *fighting for survival*

McConachy has a rather homespun and ponderous speaking style. Commonsense is more his strength than intellectual depth or political fast footwork.

But he is very well-known in the electorate and, it seems, popular. Though markedly different from Wilkinson, he is probably a match as a candidate.

Kaipara is a barometer for Social Credit. If it does not go, then it will be a safe bet that one of the other two parties will have a clear majority in the 1982 Parliament — and it would not be a safe bet that Social Credit will hold its twin seats of East Coast Bays and Rangitikei.

In Whangarei, three's mighty unsettling company

JOHN Banks goes to bed in his running gear, shoes and all. That's so he doesn't waste time in the morning when he goes for his hour-long run round Whangarei.

It's typical of a man who is like a permanently fully wound spring. Energy, of the restless, jack-in-the-box kind, pours from him.

Coupled with single-mindedness, the energy has already driven him, at 34, from the wrong side of the Auckland tracks to affluence as a successful restaurateur (a partner in the chain of Tony's Restaurants).

He is the shoe-leather type of candidate. In 1978 he pounded the pavements of the Auckland urban electorate of Roskill in a vain attempt there.

He did the same late last year in a full-scale campaign to win over National Party members and take the nomination from sitting MP John Elliott and co-challenger Martin Gummer, former Young Nationals chairman.

Elliott's marital and money troubles dismayed local Nationalists and the fierce battle over his bones by Banks and Gummer further set back the rebuilding of morale.

Banks' aggressive ingenuousness — he has made some unusual, strongly right-wing statements — did not help matters in the early stages after his selection in March.

But his sheer energy and his strong private enterprise stand have been winning members over and the party appears to have redeveloped the sort of unity that wins elections.

National is not the only party with difficulties.

Social Credit has had its internal problems, too.

In 1978, deputy mayor Joyce Ryan, highest polling city councillor in the 1977 and 1980 elections, pushed up the Social Credit share of the vote by 16 per cent.

At 26 per cent, she was only 7 per cent behind Labour.

But Ryan is a strong-willed woman with a fierce belief in her own ability and a tendency to do things her way.

Though popular among voters, she was not so popular in league circles. Shortly after the 1978 election, she was deposed from the candidacy by her campaign manager, small businessman Bill Fraser (34).

Fraser is not as personable as Ryan and, though he has an active team, is thought by locals (and by some Social Credit observers) likely to do less well than Ryan would have.

This is a moot point. From a similar position in the 1980 East Coast Bays by-election Garry Knapp stormed past Labour to win. If voters got the feeling Labour could not win in Whangarei, but wanted National out, it is conceivable the same could happen there.

But there are differences. The most notable are: Labour has held the seat recently (1972-75) and therefore is unlikely to be seen as without hope of winning; and the candidate, Maurice Penney, is an energetic, pleasant fellow, much closer to the ordinary Labour voter in style than middle class Wyn Hoadley was in East Coast Bays.

Penney has real cause for hope.

Partly this stems from the development of a good organisation — in sophistication of technique among the best Labour has, though it is a bit light on union and other working class links.

Partly Penney's hopes stem from a well-below-average swing in 1978. Some of this may be traceable to the fact that the candidate was Colin Moyle, the former Minister of Agriculture who left the House amid (unsubstantiated) minor scandal in 1977.

A large number of non-voters in 1978 have been identified as Labour-leaning. If they can be won back — and perhaps some who went Social Credit for the same reason — Penney's chances will be much improved.

Penney will also be helped by a continued sense of frustration and resentment in a strongly parochial town. Despite development over the past 15 years, unemployment is high.

But Whangarei is not an island of gloom. House-building is continuing there at a fast rate, responding to development past and anticipated (a pulp mill and refinery extensions).

Nationalists claim 1400 new houses built since 1978 — many of them in the affluent, National-leaning category.

If Banks can sufficiently establish himself as a "new-breed" Nationalist, not tainted with the economic and ideological failures of the head of the Cabinet, he could hold back to some extent any anti-National tide that develops.

With balancing factors on both sides, and an unpredictable Social Credit in the middle, Whangarei is a particularly absorbing contest.

Can Neil Austin keep Socred tide at Bay?

BAY of Islands is the seat that once would have been top of Social Credit's hit list.

For all but one of the past nine elections the northernmost seat has put Social Credit second or, in 1966, first.

In 1978 candidate Guy McPherson went into the election 4000 votes behind National's Neil Austin. This was only two-thirds the gap in Kaipara.

Had McPherson pulled in the 20 per cent increase in share of the vote Nev McConachy got in Kaipara, he would have won.

But his share of the vote went up only 9 per cent, leaving Austin still 10 per cent clear.

Possible reasons:

- McPherson was not a strong candidate — a little eccentric, he was inclined to get carried away on the platform, though it appears he was well enough liked;
- With the departure of Dargaville to Kaipara, the electorate lost its strongest nucleus of organisation;
- Labour put up a popular, active candidate in insurance salesman Maurice Penney, who held the Labour share at 18 per cent. McPherson, a farmer, did not manage to siphon off Labour votes as McConachy did in Kaipara.

This time Social Credit has a stronger candidate in former deputy leader Les Hunter and Labour a weaker one in publican Andrew Ree.

The organisation has been pulled together, centred on Kaikohe. A couple of months ago Kaikohe numbered its membership at the finger-counting level. Now it has well over 100.

Concerted membership drives, particularly in the north around and north of Kaitaia, have produced a total membership of more than 1100.

But it has not all been plain sailing. Hunter is an intense man, often given to speaking in a complicated or obscure way. Though the north is mellowing him a bit, he is not the easiest person to get to know and voters probably do not feel comfortable with him at first meeting.

This may partly account for the lateness in getting the organisation moving. Hunter was selected last year.

He is not the most conciliatory character either, particularly on monetary policy, of which he is the league's current custodian.

In an area which used to boast many ardent Douglas crediters, steeped in the pure theories of social credit, Hunter failed to defuse a doctrinally-based rebellion.

A small group of dissidents centred on Ivan Vusich in Kaikohe has said it will put up an independent, old-timer Will Holt.

Holt will get few votes. But there is some fear he may discourage people from voting Social Credit at all. Alternatively, some Nationalists fear that he will siphon off from National anti-Hunter Social Credit votes.

National has had its internal problems, too. Austin is a low-profile farmer MP of the older mould (55).

Though in party circles he is developing a reputation as someone who can work the levers in Wellington, his general reputation is mediocre.

A determined Kaitaia-based challenge to lift the nomination from him earlier this year has left difficulties behind in firing up the forces for a full-scale campaign. If he wins this time he will almost certainly face another nomination challenge next time round if he does not go voluntarily.

Two wild cards complicate the outcome.

One is the Labour vote, which seems likely to drop if Social Credit does not fall back nationally and thus likely to help Hunter. By contrast with Penney, Ree is a rather ponderous and unmagnetic candidate.

The other is the 600 Values votes which (with no Values candidate standing this time — at least at the time of writing) are more likely to go to Hunter than Austin.

Thus Social Credit's chances in the Bay of Islands are better than they look on paper. Though the swing needed is four times that in Kaipara, the chances are not all that different.

Is Social Credit still on the advance in the distant north? A piece of evidence has emerged that should give Social Credit cause to ponder. See Election Watch next week for the results of a poll of the mid-north by pupils of Okaihau and Bay of Islands Colleges conducted with the help of National Business Review.

High-profile personalities add panache to politicking

by Allan Parker

THE politics of the Manawatu are, at the very least, absorbing. Probably more accurately, they are confusing.

Both of the region's parlimentary seats in the forthcoming general elections have an unusually high degree of local and national interest.

The reasons are not so much economic or party-based conflicts; rather, they are the politics of people.

Both Palmerston North and Manawatu seats are the centre of personality issues that make them major talking points within the province.

Perhaps the most "entertaining" and absorbing of the two seats is the city's itself, Palmerston North.

There, two highly prominent city figures ore competing for the right to go to Parliament next year, replacing the popular retiring MP Joe Walding, the nationally respected Minister of Overseas Trade in the 1972-75 Labour Government.

Walding hands over a fat majority to the new Labour candidate, Trevor de Cleene — a prominent barrister and solicitor in the city who made national headlines a month or so ago with a successful appeal against the conviction of a Foxton youth for the murder of an elderly woman.

De Cleene is described by locals variously as "colourful", "controversial", "abrasive" and "something of an orator".

A "huntin', shootin', fishin' " character, de Cleene has long been a great personal chum of Waldings and won the Labour nomination against the sitting member's own son-in-law. One knowledgeable local politics-watcher believes Walding opted for de Cleene rather than his son-in-law during the nomination hearings.

De Cleene is obviously a man in the Muldoon mould; he creates hard-nosed attitudes by his personality. People in Palmerston North are either all for him or totally against him.

Says one Palmerston North observer: "De Cleene's a man for a headline whose biggest theme is freedom of the individual. He has a lot of cross-party support and is liked for the vigour of his debating."

Helping de Cleene will be the long-standing personal support for Walding.

Walding currently sits on the biggest majority Labour has ever had in Palmerston North. The anti-Labour swing in 1975, when Labour was ousted after a one-term government, was the second lowest in the country. The 1978 swing against National was the highest ever in Palmerston North.

Election figures for 1978 — Manawatu and Palmerston North seats:

Manawatu: Cox (National), 8053; de Cleene (Labour), 6750; Hunter (Social Credit), 3064; Bioleski (Values), 393. Election night majority for Cox: 1303.

Palmerston North: Walding (Labour), 10,629; Lithgow (National), 7893; Edmonds (Social Credit), 2558; Sorrallach (Values), 551; Smith (Tory), 48. Election night majority for Walding: 2736.

So any competition against de Cleene faces stiff historical, current and personal opposition.

Yet, in Brian Elwood, National has the sort of candidate who could produce what would be an upset.

Elwood is the current mayor of Palmerston North, former chairman of the Municipal Association and, more than any other individual, has been responsible for the careful but steady development of the city over the past decade.

An urbane man, Elwood carries great personal charm and authority within the city. And, like de Cleene, he has cross-party appeal.

Elwood does not have the compelling fascination of de Cleene, but his prominence as mayor and his undoubted commitment to the promotion of Palmerston North will buy a lot of votes on November 28.

His experience as a civic leader and business community supporter would undoubtedly lead him to higher honours within National's caucus.

Although Elwood has maintained a local image as an independent thinker, locals were not surprised when he stood for the Palmerston North nomination this election. Rather, they were surprised he did not go for the Manawatu seat when it became available.

"On the face of it, Manawatu was much safer for a National candidate than Palmerston North," observed one local.

Trevor de Cleene obviously would agree. He was Labour's candidate in Manawatu the last election and although he created a big swing to Labour he was unable to woo all National voters.

This year, the Manawatu seat has become a battle between National and Social Credit.

Sitting member Michael Cox is described as a solid campaigner whose main interest appears to be taxation reform.

Pressing hard for victory will be Social Credit candidate Ross Doughty.

Manawatu is one of the rural electorates where Social Credit has a good chance of creating an upset and in Doughty the local organisation has the man who could well appeal to a farming community that has become disillusioned.

For Doughty is a former ranking officer in the National Party. He is a former National dominion councillor, has previously stood for National in Labour-dominated Porirua and is Sir Keith Holyoake's biographer.

Unlike last election, Labour is given little hope for an upset victory this year. Candidate Dennis Kessell is described as a low-key candidate. He is a local trade union organiser who was made redundant several months ago.

"He has been campaigning hard but has not made a great deal of impact," according to one source.

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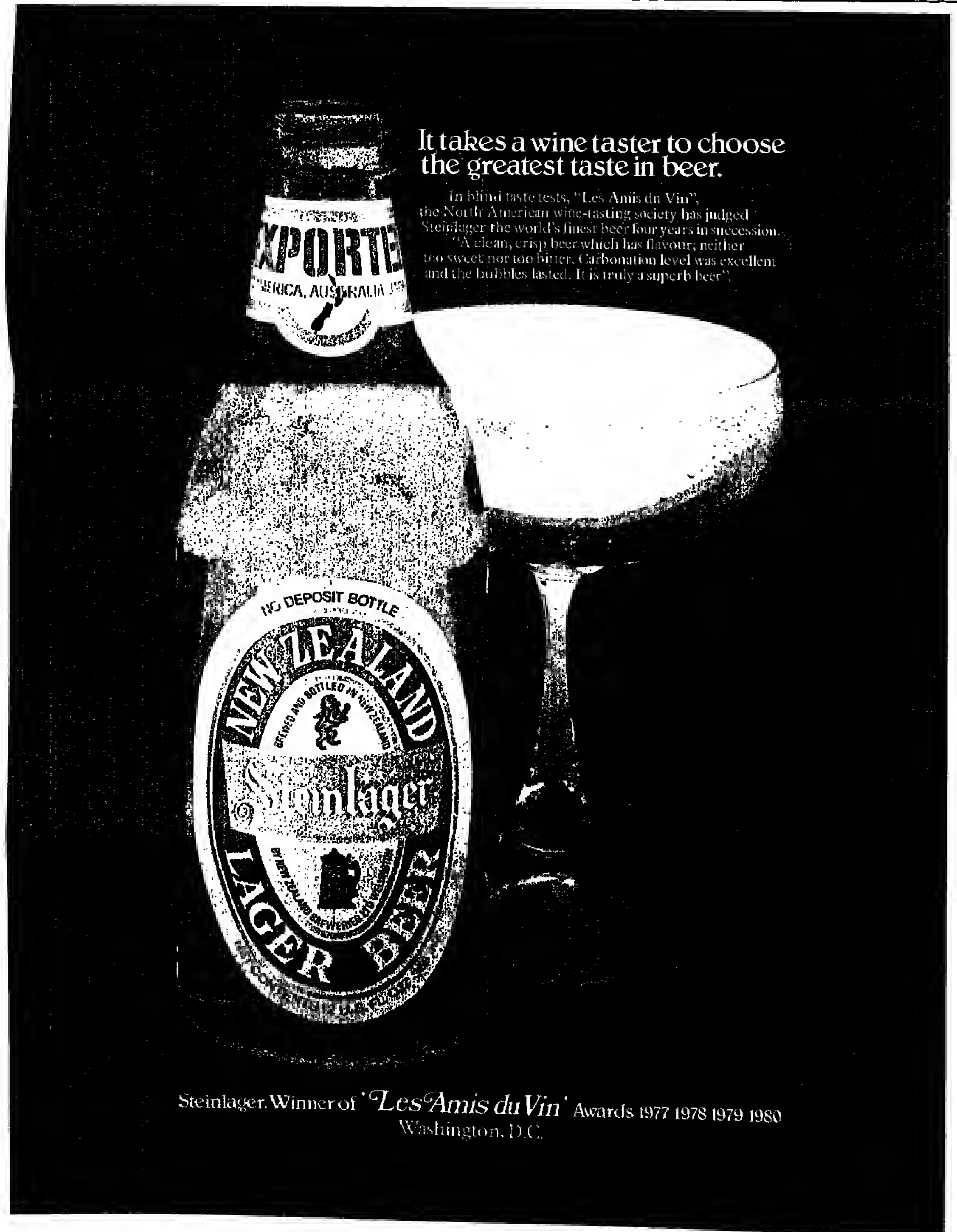
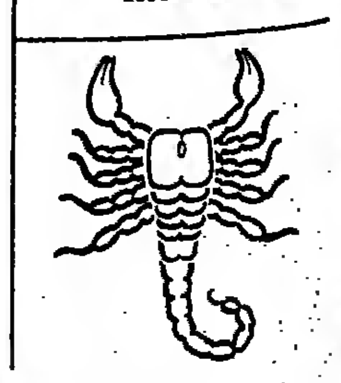




Smug, maybe, but it's smugness born of plenty

This special National Business Review feature was researched and written by staff reporter, Allan Parker.

TRYING to think of a word that best describes the Manawatu mood, you keep coming back to just one: smug.

Other words reflect the region's attitude towards the world beyond its boundaries — content, complacent, self-satisfied...

But "smug" encompasses all these and more. It sums up past performance and present plenitude. And it implies a knowledge that the future will bring more of the same.

Testing the word on the locals themselves draws no gasps of outrage or denials. Rather, they sniff at it a bit, roll it around in their minds and decide that, yes, maybe smug is how they feel about life.

Their cautious reflection on the word and its application to themselves is consistent with the approach they have adopted in building their environment — slow, unspectacular, but steady growth over a century.

Such an ordered and controlled pattern of development has allowed the region and its provincial capital, Palmerston North, to avoid the sort of erratic growth that has characterised bust-and-boom provinces elsewhere in New Zealand.

Even the physical lay-out of Palmerston North mirrors the provincial character. The city's focal point is the seven-hectare Square, a central park that accurately describes its geometric shape. From there, four major roads head in unrelieved straight lines to the main points of the compass.

Around such a well-ordered lay-out, Palmerston North's population has built its environment.

And its own personality, one that has little brief for the unconventional, the non-conformist, the deviant.

It comes as a surprise, therefore, to learn the city can produce a true eccentric — the Palmerston North driving instructor who last month set a new world record for lying on a bed of nails. Reportedly, he has been lying on nails for nine years "on and off".

Even the weather co-operates; extremes of temperature are rare, it's a sunny but not a "sunshine city", the wind blows from all directions with no predominant wind direction, rainfall is fairly constant throughout the year.

One recent description: "The wind can be expected to blow any time from any direction and on any day. Over the Christmas/January period wind burn may be a more major health problem than sun burn. Temperature is not likely to cause problems, that is from extremes . . .

"On average every fourth day is likely to receive more than 1.00mm of rainfall, and one in three may have in excess of 0.1mm.

"If this rainfall is surplus to the holding capacity of the surrounding land, the Manawatu River, along with many other rivers in the region and the Manawatu Catchment Board, will see that conditions are soon returned to . . . drizzle . . . wind . . ."

Despite its rather dreary prognosis (published by the city's public relations organisation), that weather forecast has been bright for Manawatu.

The lack of extremes combined with adequate sun and rain has sustained the major contributor to the region's growth over the past 110 years: agriculture.

Farming and its associated activities have been the single most important economic activity in the region since Edward Jerningham Wakefield sailed 15 miles up the Manawatu River from the then-lusty port of Foxton in 1840.

By 1865, the Wellington Provincial Government decided to build a township on Palmerston North's present site to service and support the expanding farming and timber industry activities, and also encourage more farm settlers into the region.

Since then both town and country have prospered from their symbiotic relationship.

In 1877, Palmerston North reached borough status. Four years later its population was 1364 (the census then did not count Maoris) and supported four firms of solicitors — one is still in business and celebrating its centennial this year. On August 11, 1930, Palmerston North became a city.

This year, according to 1981 Census statistics, the population of the city has passed the 60,000 mark (60,123) — a 3.8 per cent increase in the last five years.

For the first 80 years of its development, Palmerston North concentrated on consolidating its servicing to the rural community — what industry there was related virtually entirely to supplying the needs of the farmers.

But since the 1960s, the city has embarked on a deliberate campaign to wrest itself from total reliance on the rural economy — to turn it, in Major Brian Elwood's words, into "a city in its own right".

Triggered by substantial Massey University developments and a campaign to woo new industry into the area, that two-decade programme has resulted today in a regional economy that now calls equally on farm and city.

The annual Massey wage bill for staff is $17 million. Approximately one in 10 of the urban population is a student. Research facilities attract large grants from outside sources. Seminars, conventions and visiting researchers bring money as well as knowledge.

One estimate from the 1976 Census suggests that tertiary institutions like Massey, the teachers college, the technical institute and the hospital, contribute some 16 per cent to the total personal income of the community..

Commercial activity has followed in its wake: banks, merchant financiers, insurance companies, data-processing . . .

And the city's role as a major distribution centre within the national transport network has continued to expand, diversifying the economic base.

With farming the historical provider, industry self-sustaining and commerce neatly diversified, the city fathers have now turned their eyes to community facilities.

The most visible — and controversial — is the civic administration centre on the Square. Another is new multi-million dollar Manawatu sports stadium. A third is a convention centre, linked to the town hall block. Fresh debate now rages in the local press over the merits and financing of a community theatre.

These community facilities can, in their own way, generate more economic activity. The convention centre, for example, has been an instant success in attracting new business to the city, since it was opened one year ago.

Since last November, some 37,000 people have attended conventions in the city.

At least three gatherings have catered for more than 1000 people at a time: the world archery championships at Massey University, the world veteran road race championships, and the Watch Tower Bible and Tract Society convention.

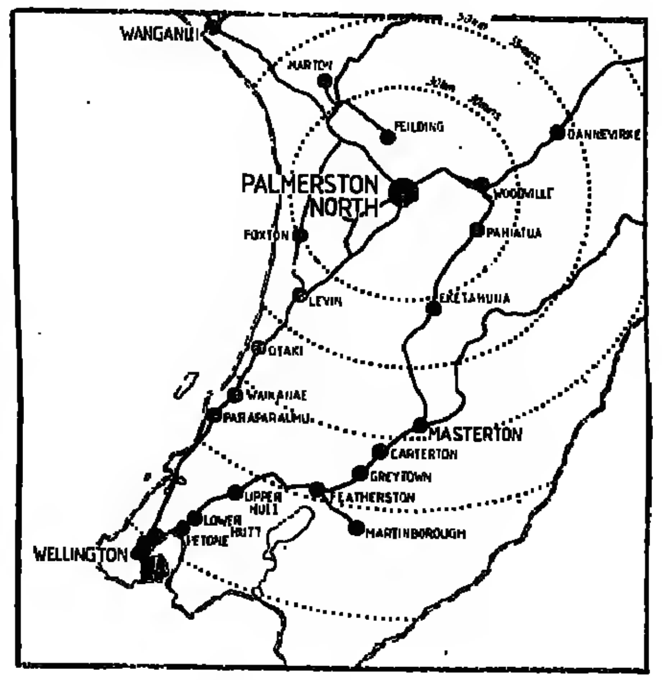
When the Southland rugby team tackled the region's pride — the green-and-whites — recently, the visiting players had to stay at Foxton because of an accommodation shortage.

Sixty Americans who will be staying in the city for 24 days next March will spend about $25,000 on accommodation alone; a "pencil booking" for rental cars could generate another $15,000.

Not unnaturally, the Manawatu has decided that conventions are good business and good for business.

The success of these first forays into the convention world is characteristic of the success the region has come to expect through its formula of steady, planned, orderly growth.

Above all, the approach is *sensible*. Unexciting, perhaps. Even boring, if one has a mind to be uncharitable. But, finally, successful. And smug.



Appliance manufacturer highlights industrial growth that extends well beyond traditional servicing role

A LITTLE known and certainly unheralded anniversary is being celebrated in Palmerston North's Tremaine Avenue — flanking the main trunk line on the north-east rim of the city — this year.

Appliance manufacturer Ralta Ltd is in its 21st year as a local industrial producer, maker of electrical and, increasingly, electronic consumer appliances.

While superficially unimportant to the local community, the anniversary in fact reflects the virtual parallel growth in Palmerston North's industrial sector over the last two decades.

Previously, what local industry existed was mainly associated with servicing the surrounding farming community. Little broad-brushed manufacturing output was undertaken for local, national or international markets.

Today, the city can claim to have a strong industrial base that no longer relies totally on the farmers for business. Its products are sold throughout the country and, indeed, around the world.

So the success of Ralta has been the success of industry in the city.

Now, 20 years on, the company's Alan Lockie, one of the grand old men (industrially speaking) of the manufacturing sector, looks back on a decision made then with no regrets.

Ralta was looking to expand from its Wellington base; Palmerston North was looking to expand its industrial base.

Says Lockie now: "They (the Palmerston North civic leaders) made a very good presentation for attracting industry. Their approach to industrial development was prepared very intelligently."

Lockie was persuaded and the wisdom of his decision to relocate two hours' drive north of Wellington is now reflected by outstanding success.

It is now the largest single employer in the city — the largest in the region outside the meatworks, says Lockie — and is expanding at a compound rate of 40 per cent each year.

It has outgrown a 100,000 sq ft factory and is about to move into a leased building to accommodate this growth.

It exports 10 per cent of its production by value — a higher percentage by volume. One new product: an electronically-controlled electric blanket that senses the temperature in a room and adjusts itself accordingly and also senses faults and shuts itself off.

When Lockie's company first moved to Palmerston North, its location on the outskirts — just a few miles from the city centre — was isolated.

Today, Tremaine Avenue is lined with factories, again reflecting the growth of the sector and its importance to the city and regional economies.

Just a few metres down the road, for instance, is the factory of Allflex Holdings, makers of the Delta plastic animal ear-tags that have become New Zealand's first true economy-of-scale bulk manufactured product.

The ear-tags sell in their hundreds of millions overseas and their success can be measured by annual sales growth (1976:87 per cent; 1977:76 per cent; 1978:32 per cent; 1979:55 per cent; 1980:55 per cent).

Another measure of the competitive nature of the identification tags produced by Allflex has been the action taken by the United States to investigate the use of export incentives following a complaint by its United States competitor.

Ralta (now part of the giant United States appliance manufacturer Sunbeam) and Allflex are two perhaps exceptional examples of giddy growth in the industrial sector.

But the business community generally, including manufacturing, has registered at least steady growth in the past two decades.

This pattern underlines the rather sober approach to development that has characterised the city and the region, a cautious and planned series of evolutionary stages that have allowed economic activity to continue without violent upheavals that have either put great chunks of the business community out of business or scared off potential investors.

It's the sort of guarded but optimistic approach that appeals to a manufacturing industry needing unspectacular growth rather than peaks and troughs of economic activity.

And, in particular, it has been the sort of controlled approach that has allowed the local construction industry to weather the recessionary days of the 1970s.

CHANGES IN EMPLOYMENT STRUCTURE

	1971	1976	Net Gain	% Gain	N.Z. % Gain
Agriculture, forestry etc.	416	479	61	14.69	-
Mining and quarrying	29	31	2	6.90	-
Manufacturing	4,766	5,017	229	4.76	9.74
Electricity, gas and water	346	373	27	7.60	-
Construction	1,766	2,236	467	26.41	22.24
Wholesale and retail trade, restaurants and hotels	4,304	4,526	222	5.16	10.19
Transport, storage and communications	1,606	2,166	563	36.30	7.34
Finance, insurance, real estate and business services	1,416	1,637	216	15.36	25.22
Community, social and personal services	6,066	7,666	1,617	26.65	16.33
Total actively engaged	21,016	24,651	3,632	17.28	

Source: Census of Population and Dwellings, 1971, Volume 4; 1976 (unpublished); and 1976 Provisional National Statistics.

Indeed, while building industries in other centres have languished, Palmerston North's industry has been one of the three main economic growth sectors, along with the transport and communications industry, and the community, social and personal services sector (see table).

The transport industry stands alone as an economic entity — its well-being linked closely with Palmerston North's role as a major distribution junction (see article on strategic siting and transport industry).

But the construction and community services sectors have been closely linked.

Palmerston North's expansion into a major centre for tertiary education has seen a parallel rise in the number of facilities required.

Continuing building programmes throughout the 1970s have cushioned the effects of the oil-led recession that so badly damaged the industry in other parts of the country.

At the same time as the Massey and teachers' college programmes, the civic centre and new multi-storeyed office buildings have been built on the edge of the city's Square.

While these major projects have now been completed, new construction continues, notably in the shape of two-three storey office buildings in the streets just behind the Square.

Says Chamber of Commerce president Don Irvine: "The building industry in Palmerston North was not as badly hit as others in the 1970s.

Irvine confirms the "steady but significant" development in commercial, industrial and Massey construction over the last 10-15 years.

"We've had no big peaks or troughs like Taranaki, which tends to be a bit boom-and-bust.

"There have been some shortages of staff (for the building industry) but it's never been critical."

He says the new moves into low-rise office accommodation is keeping the industry buoyant at the moment, although there is no substantial industrial development.

"But it means people are still confident if they're investing in new buildings."

That confidence filters through into other sectors and, civic leaders are quick to point out, Palmerston North has found business easier over the last few difficult years than other centres of comparable size.

So well, in fact, that the locals have penalised themselves; Palmerston North businesses do not qualify for regional development investment allowances (unlike neighbouring Wanganui and Kapiti) because, as one local commented, "we're doing too well."

Still, that is a better form of penalty to incur than any arbitrary cut-off point that might, for example, disqualify the city once it reached a certain size.

However, Development Finance Corporation regional development project assistance in the Manawatu has totalled $16 million since 1973 — nearly 100 projects have been approved.

In part, the strong economic base provided by the rural sector has cushioned the impact of the recession. Certainly, life has not been rosy, but the unusually balanced rural-urban economic mix allows Palmerston North to fall back on one sector or the other more readily in times of economic difficulty. Both are now large enough to absorb crises experienced by each other.

The development that has produced this comforting situation began back in the 1960s. Mayor Brian Elwood maintains today that the city then faced "a crisis of identity".

"It wasn't sure where it was going or how.

"The task I saw was to give it a shake, to turn it from a rural servicing town into a city in its own right, with its own character and its own strengths."

Now, says Elwood, the city has a solid community both commercially and socially.

"We don't have a great deal of wealth but we don't have poverty in the traditional sense."

The growth rate throughout the 1970s, according to Elwood, was "phenomenal by historic standards" in Palmerston North.

"In the past 15 years there has been an almost unbelievable transformation in Palmerston North.

"And it has been achieved without social disruption."

The three major elements in the employment structure of the city in the 1970s were the community services sector, manufacturing, and the wholesale-retail trade sector (see table).

While some of those trends may have slowed — there are no local statistics ("we've never needed any") and detailed 1981 Census figures are not yet available — the pattern has been maintained.

By the end of the 1970s, manufacturing units in the Palmerston North employment district totalled just over 400, which produced an annual turnover of nearly $400 million. Added value of production was $120 million.

Companies such as Ralta now provide a strength not available to the community previously. There are others: Winstone Plastics, for example, with its plastic drainage pipes; the Ace Bag Company, which supplies 75 per cent of the country's demand for multiwall rubbish bags and New Zealand Motor Bodies.

Of course, rural-based industry remains a vital component. Allflex Holdings is an obvious example, but a city with such close links to the farming community will always depend on farm servicing and processing industry for a large proportion of its business activity.

Industrial expansion requires people, and Palmerston North has an adequate supply, according to local industrialists.

In particular, unskilled staff are readily available and, according to Ralta's Lockie, the quality of unskilled and semi-skilled labour is excellent "which makes product quality excellent."

However, locals caution that labour rates are no cheaper than elsewhere. In fact, companies may have to pay a premium to bring skilled labour and management into the city from other centres.

Like elsewhere, trades people are in demand and there is no ready pool of experienced executive staff.

Ralta is one of the few companies to have an in-house apprenticeship scheme and such training is something of a local issue. Poaching of skilled trades people has been an irritant.

Access to Massey University and the special facilities it can offer for research and development is a valued tool for the local industrialists who are prepared to use it.

Some companies report frequent town-and-gown cross-fertilisation between industry and university/research institute personnel.

Industrial land is plentiful. Perhaps a little over-optimistic about the attractions of the city to outsiders, the city has a more than adequate supply of zoned industrial land available at prices that locals say still appear reasonable, and serviced by both electricity and natural gas.

The city does not foresee the same kind of rapid industrial expansion that has characterised the past two decades. Rather, civic leaders predict a period of consolidation with more gradual growth.

That is not to say development will not continue. Opportunities are still evident.

For example, new moves into food processing are already underway and with a likely shift in the pattern of farm produce, further processing ventures will undoubtedly surface.

Also, the city seems well-suited to electronics-based industry — the type of small-scale, high-value production that governments love. From a virtual zero-base a few years ago, the city now boasts a number of computer-servicing companies.

Their presence as well as the electronic educational and research facilities of Massey University could provide the stimulus for new ventures into this new technology field.

And finally, although Manawatu has none of the "Think Big" projects falling within its own region, it has a strong pool of small but experienced engineering companies remaining from the farm servicing days.

They will undoubtedly be vying for a share of the large-scale projects, particularly those in nearby Taranaki where New Plymouth engineering shops are likely to face workload difficulties.

These seem logical areas for expansion, just as the "steady but significant" growth of industrial, commercial and construction activity was a logical progression over the last two decades.

As one local commercial leader said: "Some places are forever moaning and saying they're hard done by.

"Palmerston North has just go on with the job without trying to get national exposure."

Strategic siting makes 'johnny come belatedly' city

FOR a provincial centre that was never meant to be one, Palmerston North has developed into one of the country's most strategic farm servicing, industrial, commercial and distribution centres.

In particular, its location and development over the past 100 years has turned it into an integral — locals would say *the* integral — element of the national transport network.

Yet the first major settlement in the Manawatu was established a decade before Palmerston North — 30 kilometres to the west, at the mouth of the Manawatu River.

Foxton, named after local settler and colonial Premier Sir William Fox, was established in 1868 under the name Port of Manawatu (the name was changed to Foxton in 1877 — the year Palmerston North was proclaimed a borough).

Its siting at the mouth of the Manawatu River had earmarked it to become the major urban centre of the region, using the river as the prime carriageway of goods into and out of the hinterland.

As well, Foxton provided its own industry, flax. By 1889 there were 50 mills within 10 miles of the town, getting their raw materials from great flax swamps that surrounded the lusty seaport.

But three major events were to stifle Foxton's ambition. In the 1920s, the development of manila and synthetic fibres killed the flax industry; the political decision to build the main trunk railway, on an inland tangent to Palmerston North, bypassing Foxton; and construction of the road through the difficult Manawatu gorge in 1871-72.

The impact of those events is still evident. Foxton township languishes with a population of under 4000 compared with Palmerston North's 60,000.

Only one flax mill survives (tour bus drivers point out the stands of drying flax outside the mill, on the southern outskirts of the town, right on State Highway One).

And the opening up of the gorge to the rich farmlands of the Wairarapa and Hawkes Bay cemented Palmerston North's position as the province's strategic railhead centre.

So while Foxton's chances of becoming the provincial capital died many decades ago, Palmerston North's claims were advanced by the coming of the railroad and have been hardened further by the commerce and population that followed its tracks.

For example, at the time Foxton was being dealt such a savage body blow to its local industry by manila and synthetic substitutes, Palmerston North was on the brink of becoming a city — on August 11, 1930.

And while Palmerston North has — belatedly, it must be said — developed a strong industrial base independent of the rural environment, Foxton has but one major claim to an industrial presence, the carpet mill of Stevens Bremner.

The importance of the main trunk railway and, latterly, the airport to Palmerston North's growth cannot be underestimated. These two transport systems — plus development of a sophisticated road network — have transformed the city and, indirectly, the region as a whole.

Farm, commercial and industrial leaders are well aware of the importance of the transport infrastructure to their business. It remains the single most important local issue, with any suggestions of alteration to the pattern the cause for long debate.

Civic leaders, too, realise that if farming and farm servicing have provided the base for the region's wealth, then the transport network is the key to future growth.

Palmerston North's strategic positioning within the national distribution network figures prominently in local efforts to lure new business activity to the Manawatu.

One publication produced by the Palmerston North City Corporation-backed Industry Advisory Group points out, for example, that "Palmerston North enjoys a favourable position for the market distribution of goods.

"Not all goods produced in Palmerston North can be sold in the local market (although some 200,000 people live within a 70-kilometre radius of the city), so the distribution of consumer and industrial goods is an important question.

"The accessibility of Milson Airport and the railways goods yard adds to Palmerston North's advantages as a distribution centre."

Reflecting the strategic importance of the city as a distribution centre is its status as a recognised Customs port of entry. Cargo can be transshipped under bond and customs clearance arranged in Palmerston North.

In fact, according to the city corporation, most of the city's industrial concerns use this facility, including the provision of licensed bond stores.

The three major modes of transport are well represented in Palmerston North.

Freight-forwarding by road has become highly competitive since the restriction on road carriers was lifted to 150 kilometres. In particular, that extension has brought Wellington within Palmerston North's road transport radius, with the consequent enlarging of market availability and access by road to Wellington's container port and (limited) international airport.

Also, the extension of the road restriction limit has allowed road transport carriers to venture through the Manawatu Gorge and the main centres of the Wairarapa and Hawkes Bay.

More than 25 per cent of New Zealand's population is now within 100 miles of Palmerston North — a significant market opportunity for road transport carriers.

Reconstruction of the Manawatu gorge route over the next 10 years will enhance their services to local business concerns as well as external freight-forwarders using Palmerstoo North as a market ceotre in its own right or a distribution centre.

(Local awareness of the transport system and its importance to the area are indicated by continuing gripes that the 10-year gorge reconstruction programme does not reflect the priority it merits as a national aod local transport channel providing the most direct route to the East Coast aod Hawkes Bay.)

The road operators have not been slow to take advantage of the new 150 kilometre limit. Several Wellington companies have established depots in Palmerston North and, in fact, have made significant inroads in rail's previous dominance.

Distances by road to major North Island centres.

Centre	Km
Wanganui	74
Masterton	108
Wellington	145
Hastings	150
Napier	178
New Plymouth	312
Hamilton	412
Auckland	528

However, rail remains a major mode of transport into and out of the region.

The Palmerston North rail yards, on the northern outskirts of the city, are the junction for four rail routes: south to Wellington on the main trunk line, north to Hamilton and Auckland on the same line, north-west to Wanganui and New Plymouth, east through the Manawatu gorge to Wairarapa and Hawkes Bay.

Typical lead times for rail transport to other major centres include one day to Wellington, Hamilton, Auckland, Napier, Wanganui and New Plymouth, two days to Gisborne, three days to Christchurch and about a week to Dunedin and Invercargill.

Tonnage carried through Palmerston North's rail yards in the year ended March 31, 1981 totalled just under 300,000 tonnes — 90,000 tonnes inward and 190,000 tonnes out. (The figures would be higher if charged out on a cubic metre basis.)

Just to the west of the city, the yards at Longburn contributed another 60,000 tonnes — 20,000 tonnes inward and 40,000 tonnes outward, virtually all dairy and meat products from the dairy factory and freezing works.

Most of the Longburn output goes to Wellington for export but the freight traffic through the Palmerston North yards is spread evenly throughout the country.

Equally, the type of goods carried out is not dominated by any one product, although a large proportion is based on agricultural produce, either "raw" or processed, from the surrounding farmland.

Outward freight includes grain, flour, stock foods, green vegetables for the major population centres of Wellington, Aucklaod and Hamilton, and manufactured products.

The proposed electrification of the main trunk line between Palmerston North and Hamilton will further enhance the city's position as an important distribution centre, placing it at one end of the new system.

Milson Airport, on the north-east rim of the city and adjacent to the main trunk line has become the third important component of the Manawatu's distribution iofrastructure.

This importaoce is reflected in freight tonoages moved through the airport. Last year, 300,000 tonnes of freight were carried through Milson, with iobound and outbound spread evenly.

But remarkably, export freighting from the airport has made Palmerston North's Air New Zealaod freight depot the airline's second largest export freight carrier in the country, only behind Auckland in volume.

Last year, 50,000 tonoes of export-bound freight flew on Air New Zealand planes out of Milson.

Until last year, international outbound freight grew at an average 35 per cent a year for

a key transport centre reaching out from its hinterland

the previous five years; domestic outbound at an average 15 to 20 per cent over the same period.

Inbound air freight, on the other hand, grew at about five per cent during that same period.

The airline reports a tapering off in these growth figures over the last year, blaming the national economy.

The biggest percentage of air-freighted goods is manufactures, reflecting the growing importance of the city as an industrial centre.

The airport is capable of handling all aircraft currently operating on internal routes. Recent upgrading has extended the runway to 5000 feet and its operability was a constant 99.7 per cent over one recent three-year period.

Passenger services have been hard-hit in recent years with Air New Zealand's continuing difficulties and retrenchment of provincial services policy.

In the wake of this "rationalisation", third-level aircraft services by smaller operators are becoming increasingly important to the city's business and private travellers.

The local Chamber of Commerce has established an airport sub-committee that has been active in trying to coordinate the services of the retrenching national carrier and the expanding commuter airlines like James Aviation and Eagle Airways.

Hamilton-based Eagle Airways launched its new commuter services late last month. It will operate a three-times-a-day return service between Palmerston North and the capital — for $41 each way.

The new service also links up the two southern centres with other North Island cities serviced by the company — Hamilton, Wanganui and New Plymouth.

Managing director Malcolm Campbell admits the new service is a market-gap venture, replacing the hole left by the reduced Air New Zealand presence.

Such a regular inter-city commuter service by air still marks a new step in the nation's passenger flight system.

Palmerston North's prominence as a strategic distribution centre has thus become important not only nationally but also for the local economy. With a long-established infrastructure that still has room for growth, the city has most key distribution facilities locked into place.

That sort of in-house system brings its own advantages and efficiencies; in terms of the New Zealand marketplace, Palmerston North is one of the three lowest cost centres for distribution in New Zealand according to one study by the New Zealand Institute of Economic Research.

The costs of establishing a warehouse, according to Mayor Brian Elwood, are lower in Palmerston North, helped mainly by relatively low industrial land costs, ease of access to rail and airport, and the short distance from factory to warehouse to those distribution zones.

Says Elwood: "It is cheaper to unload a container here from Wellington than reclaim Wellington land.

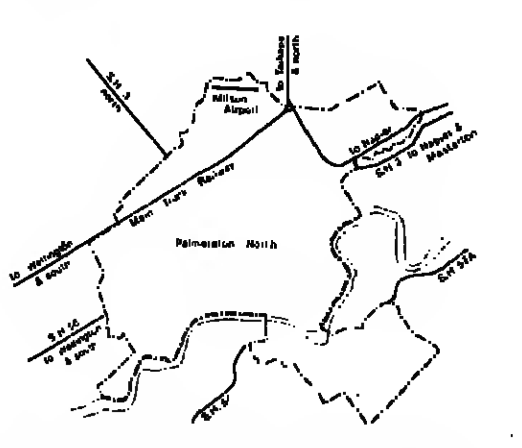
"Inland freight terminals, like Palmerston North, will become the future," is Elwood's confident prediction.

Certainly Census figures illustrate the growth pattern the transport, storage and communications industry experienced during the first half of the 1970s; detailed figures from this year's Census are not yet available but the trend has been maintained, according to locals.

Between 1971 and 1976, the distribution industry (in terms of employees) grew by a phenomenal 36 per cent — higher than any other industrial category in the city — and far ahead of the average New Zealand growth of 7.3 per cent in the same period.

City planners attribute this, in part at least, to containerisation "which may have allowed some decentralisation away from Wellington" as well as the city's central location in the national rail network.

According to 1977-78 Census of Distribution statistics, Palmerston North then contained 260 distribution operating units (including seven ancillary units).



The distribution industry and its associated transport systems have thus played — and will continue to play — a vital role in Palmerston North's economy, with downstream benefits spreading throughout the entire regional economy.

But that is not to say that there are no disadvantages. On the contrary, the very geographical positioning that has given Palmerston North its development impetus over the last century counts against it in a similar way.

Its inland siting, for instance, excludes it from ready access to harbour facilities and their associated cost efficiencies.

Local industry leaders maintain that the cost of importing raw materials — either from abroad or from New Zealand suppliers — is a heavy drain on manufacturing profits.

Farmers, too, argue that high fertiliser costs are directly attributable to the need to transport raw materials from New Plymouth to Wanganui for processing and then transport the finished fertiliser to the Manawatu (see farming article).

Equally, exporters are penalised because they must trans-ship export goods to other ports.

Indeed, one study determined that "the city is limited in its ability to compete for industries exporting overseas, since its location in the transport network, although excellent for distribution to the New Zealand market, is not so favourable for export industries.

"The city has no port of its own and any industry is thus faced with high transport costs within the country.

"The recent increase in the distance goods may be freighted by road will be of some assistance to export industries, but in the long term rising fuel costs may well make such long trips to port undesirable except for low bulk, high cost goods."

There are, naturally, notable exceptions. Allflex Holdings, with its Delta eartags is an obvious example. Ralta, too, with its electronically based product range for export is another.

But, for the moment at least, the industrial base of the region centres on local and national market sales rather than exports.

Export incentives undoubtedly help, but with pressure mounting for their rearrangement by 1985, it is unlikely that companies will now feel sufficient confidence in their long-term future to use them as a stepping stone into the international marketplace.

Yet for all those disadvantages — and they are far from small to local industrialists — the future of the city and region as a distribution centre of national importance is secure.

Future developments like the main trunk electrification, Manawatu gorge reconstruction and increased diversification of Manawatu land use will strengthen the region's grip in that network.

Manawatu survey

Palmerston North's new civic centre, a major issue through the 1970s for the surrounding ratepayers. Now the spotlight has switched to a community theatre proposition.

From Page 44

Civic amenities and rates burden major local issues

Central political issues in Palmerston North are rates (like most other urban centres in New Zealand) and whether a community theatre should be built or not.

The local media hum with point and counter point about the merits or otherwise of a local theatre.

More specifically, who is going to front up with the cash — the local council, local citizens or the local theatre society?

Such amateur dramatics are not new to the city. Ten years ago, the major issue in town was the proposal to build a new civic centre, now an imposing, grey structure in Palmerston North's central Square.

Throughout the 1970s bitter debate surrounded the centre — its design and its cost among the most prominent arguments.

Certainly cost increases were high. Original estimates put the price at $3.8 million. By 1980 that figure had jumped to $9 million. (According to one city corporation estimate, current replacement cost is more than $15 million.)

With the civic centre now in place, attention has switched to the theatre proposal.

At the same time, ratepayers warily eye their increasing burden, just as other ratepayers in other centres, after last year's increase of 23 per cent. The average rate is $220, which the city leaders point out is lower than the average for many cities of comparable size and with fewer amenities than those already provided in Palmerston North.

They also point out that rates have increased almost in parallel with the Consumer Price Index over the past 10 years, using this figure to deflect suggestions that rates are becoming far too high.

City loan indebtedness, prompted by the civic centre controversy and now an issue again with the theatre proposal, is another continuing local concern.

City borrowing certainly increased during the 1970s, but the city corporation again tries to soothe local brows by noting the proportion of public debt to capital value in the city improved in the decade.

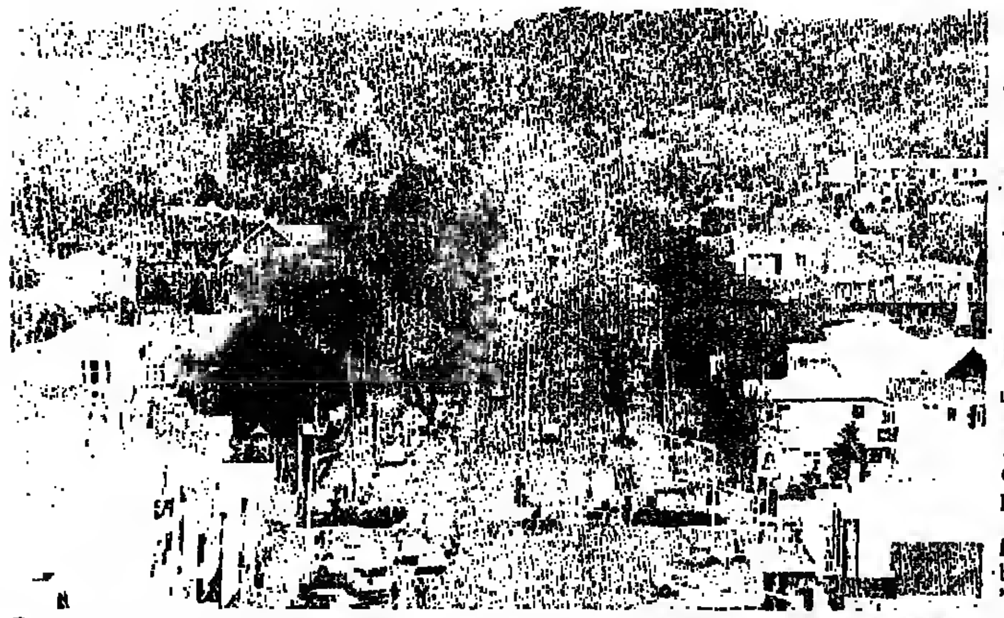
In 1970, public debt was $4.39 million, or 4.24 per cent of the city's $18[illegible] million capital value. Last year, public debt was $18.9 million — 4.05 per cent of the city's $76[illegible] million capital value.

Says the city: "To put it in a more familiar context, it (debt: capital value ratio) is equivalent to having a mortgage of $1600 on a $40,000 house."

Local rural politics centre on the creation of a new united regional council. Farmers are worried that the watering down of influence of county councils — which they dominate — by inclusion of more urban representation will dilute their own influence in the region.

How far those fears will be realised is still unclear, but it remains a serious issue in their minds.

City's influence spreading wider into hinterland as processing expands, demanding more urban skill input



Town and country: from Palmerston North's central city Square, the closeness of the surrounding countryside illustrates vividly the close relationship between rural and urban environments in the Manawatu.

THE fortunes of Manawatu's farmers are becoming increasingly linked with those of the major population centre, Palmerston North.

Ties between the two have become more fixed in recent years and both the rural and urban communities expect them to increase in future years.

The reasons are not difficult to understand: an increasing emphasis on food processing and the trend towards greater mechanisation and even application of microprocessor technology are making the farming sector more dependent on city-bred skills, training and products.

In turn, the higher cost of farm ownership, the 10-acre block phenomenon and "Rangitikei Street farmers" are venturing beyond the traditional town boundaries into the countryside in growing numbers; their understanding and appreciation of the farmers' problems breaks down the former, formal barriers.

The process is, of course, not uncommon to the Manawatu. Town and country isolation is being eroded throughout New Zealand's provincial regions.

So, like these other regions, both sectors of the population are facing adjustments in attitude and contact that were uncommon even a few years ago.

With this new communication has come a realisation of the contribution each sector makes to the other's economic prosperity. Manawatu farmland has long provided the stimulus for urban development, particularly that of Palmerston North.

A traditional servicing centre for the pioneer farmers, Palmerston North — and, to a much smaller degree, the other town centres like Feilding and Foxton — based its growth on supplying farmers' needs for the first 100 years of its existence.

It is only in the last decade or so that any substantial industry free from rural dependence has flourished.

The smaller centres remain almost totally reliant on farming or at least natural resources for their industrial base.

Palmerston North, on the other hand, has developed a significant manufacturing sector that now counts products not associated with agriculture among its output.

But the rural influence is still strong, both as a direct producer of wealth for the region and an indirect contributor to the economy of the population centres.

The direct contribution is difficult to determine with any accuracy. But calculations based on available Ministry of Agriculture and Fisheries figures for the five counties surrounding Palmerston North suggest an annual direct net farming income about $100 million.

That money is required for living expenses, taxation and development; apart from the tax element, most will be spent within the region.

The base for this income is the 3.8 million stock units operated on 55,000 hectares of formed land in the five counties — Kiwitea, Pohangina, Oroua, Manawatu and Kairanga.

This ratio of 7.5 stock units for each hectare is, according to a MAF official, "about average" for New Zealand; Southland and Waikato would carry more units but they have less hill and rough country than the Manawatu, bounded as it is to the east by the bleak Tararua and Ruahine ranges.

MAF statistics indicate that farmers in the region can expect a gross margin of $22 for each stock unit to provide living and development costs.

This figure is in New Zealand dollars rather than gross overseas dollars. Thus, for example, the farmer can expect to get some $18 net for his lamb, whereas the fob price may be as high as $40.

The mythical average Manawatu farm is about 250 hectares, is owner-operated by a married farmer with 3.5 children.

However, this is a misleading average because that would allow only 220 farms for the whole region. Yet Department of Statistics figures show that three years ago, the five counties carried over 2300 farms; the influence of the smaller dairy units — still a significant industry in the region — and the more recent trend towards town/country 10-acre blocks is obviously quite distorting.

However, continuing the "average" concept, the current market value of this farm is between $500,000 and $750,000 — land values in the farming sector are reported to be running slightly below the current boom being experienced in Palmerston North's property market.

Capital expenditure by the farming community is significant and indicates the importance of farm income to the urban community.

In 1978-79, for example, farmers spent over $5.5 million on new cars, tractors, other farm vehicles and machinery.

They spent $2.3 million on land development (clearing, fencing, drainage, irrigation, associated construction and so on) in the same period.

Total spending on buildings was $5.8 million, most spread equally between new houses or additions for the cockies and their families and farm buildings like barns, sheds and so on.

In all, farmers outlayed nearly $25 million on capital expenditure in that year. With inflation alone, that figure will be about $40 million this year.

In addition, fulltime, parttime and casual employees on farms in the five districts were paid $5 million in 1978-79, according to official statistics. Again, salaries and wages should be about $8 million this year by compounding inflation growth.

Such multi-million dollar a year spending has an obvious impact on the servicing centres; it does not include casual and consumer spending — an undoubtedly significant proportion of retail trade in any community established as a rural servicing centre.

Livestock-based farming remains the dominant type of farming activity within the region, although recent years have seen some changes to the relative proportions.

In the past five years, dairy cattle numbers have dropped from 149,000 to 144,000, beef cattle from 245,000 to 215,000 and sheep numbers have risen by 25 per cent to 2.5 million. (These figures include Horowhenua and Hutt districts but the trends are consistent.)

Converting all animals to stock units, actual units have risen 7.5 per cent — mostly in sheep as the other main livestock types (dairy and beef cattle) have dropped.

The highest increase in stock numbers has been in Manawatu county, the area immediately surrounding Palmerston North that is the easiest country to run.

However, despite the drop, local farm experts maintain the dairy farmers in the region are "basically feeling very satisfied with themselves" — prices are currently high ($2.90 cents per kilo for milk fat — up 70 cents in a year) and the industry is "bouyant".

Local processing interests are, in fact, trying to encourage a bigger commitment to dairying.

The Manawatu Co-operative Dairy Company, which takes the output of some 700 dairy farms, wants more raw material for a new Longburn factory that is said to be the first of its type in the world.

It uses a process developed by the Dairy Research Institute at nearby Massey University to extract most of the possible by-products from the milk-fat.

As well, a new ice-cream factory is soon to open in Tokomaru, using a factory abandoned by the Manawatu Co-operative Dairy Company. That, too, will require the dairy farmers' product.

Although livestock dominates farming activity in the Manawatu, cropping is significant — and likely to become more so.

The table shows the main crops and the land area used for their production in 1979.

A high percentage of the potatoes — grown mainly in the Opiki and Kiwitea areas — are exported, with Fiji and other Pacific Islands the main customers. Seed production centres on grasses, mainly clover.

A significant alteration to the pattern of production illustrated in the table could follow the recent opening of a factory in neighbouring Marton by the Canterbury Malting Company.

The company has indicated it wants to move most, if not all, its production to the North Island to overcome the high transport costs associated with South Island industry.

The company is currently trying to woo local farmers into producing barley for its malting process rather than the existing production which is mainly used for feed.

As an inducement, it is offering a premium for the malting barley — $195 a tonne compared with the $180 a tonne a farmer can expect for feed barley. As well, the company believes it will need some 4000 hectares of malting barley for its processing in the Marton and Palmerston North areas.

Elsewhere in the region, the New Zealand food processing giant, the Wattie group, has bought a factory in Feilding to take advantage of the increasing food production in Manawatu — production aided by the fertile soils of the region.

It has told locals it wants to double the area of peas, beans and corn for its production and, according to one local source, believes it will need 2000 hectares of food crops for its operation.

The most likely place for this land area to come into food production is the Kiwitea district, to the north of Feilding and stretching along the Rangitikei valley as far north as Mangaweka.

Both the Wattie and Canterbury Malting Company ventures are early signs of an inevitable increase in horticultural production in the region.

Horowhenua to the south is one of the prime horticulture districts in the country and large amounts of capital are flooding into the area for land, development and plant establishment.

To the north of Feilding, in Kiwitea, small beginnings in similar activity are now evident.

For example, about 100 hectares of land in Kiwitea are now planted in asparagus; three years ago there was virtually no land used for this vegetable.

The economics vividly illustrate the reasons. Traditional stock units provide a return of about $150 a hectare. Processing vegetables like peas and beans earn about $1200 a hectare. Asparagus is currently forecast by MAF officials to provide a $3755 gross margin per hectare each year once developed.

With such returns, interest in the area will increase rapidly in the near future. "Rangitikei Street farmers" have already moved into prime farm land in the immediate Palmerston North surrounds.

But the attractions of horticultural production — with the associated incentives for export marketing — will undoubtedly cause land prices, particularly in the relatively undeveloped Kiwitea district, to increase substantially.

However, horticulture is likely to remain restricted — for some time at least — to vegetable rather than fruit production. The climate basically does not suit fruit-based production; the region is extremely windy, even with shelter belts, and there is a general lack of good, sustained sunshine areas unlike neighbouring Horowhenua, which proudly boasts it is the "Gold Coast".

While changes in production patterns have been altering steadily in recent years — and look likely to speed up considerably — the issues concerning the farming community remain relatively unchanged.

Mostly, they centre on the worries faced by farmers throughout the country like supplementary minimum prices, freezing industry industrial disputes, a lack of skilled farm labour and high fertiliser costs.

Of course, each province has its own particular headaches — political and economic.

For instance, a proliferation of local county councils will disappear under a new united council which is in the process of establishment. But farming community leaders are concerned that this will mean a big drop in farmer representation.

Says one farming leader: "At present, the county councils are almost entirely made up of full-time farmers; when they become translated into a united council — with representation from Palmerston North and the county towns as well as the old county councils — there will be a watering-down of our influence."

While those fears have yet to be realised town and country communication is growing in other fields. The local Federated Farmers official, for example, is vice-president of the Palmerston North Chambers of Commerce, a traditional townies' group. Such links encourage a breakdown in historical communication gaps.

Equally, farmers sit on the boards of local companies and can help influence urban reactions to rural concerns.

The farmers gripe that their fertiliser costs are among the most expensive in the country.

The nearest port for fertiliser raw materials is New Plymouth. The materials must then be transported to the nearest works, Wanganui, and then shipped once more into the Manawatu — such double-stage transporting increases on-farm costs substantially.

Also, they say, the cost of shipping export produce through Wellington's container terminal is prohibitive.

Said one leading farmer representative: "The Wellington Harbour Board charges to farmers for export through Wellington are very high.

"We have to rail down to Wellington and go through the container terminal.

"But Napier is just as convenient and doesn't have such high charges; also, it doesn't have container facilities because of the political expediency of making Wellington a container port."

The official also reports "apprehension" among the farming community about next year's killing season in freezing works.

"Mechanisation and automation are coming in, but the unions don't seem to appreciate it.

"The farmers are in the mood to force the issue — automation is very expensive but the unions want manning levels to remain the same. The costs of having both would be too high."

Farm labour has become another local issue. A recent survey discovered the skilled: unskilled labour ratio was 3:1.

"That's highly dangerous, it should be the other way around.

"At the moment we have a future where there are too few unskilled labourers to learn farm work and replace the skilled people when they retire.

"We've got to inject more young, inexperienced labourers into and on to the country."

The survey also unearthed another trend towards increased use of casual and contract labour, rather than reliance on farm-domiciled, permanent employees.

Such issues will no doubt remain high on the farmers' problem list. They are, after all, the concerns that affect farmers everywhere, with localised degrees of relative importance.

But such worries tend to be submerged by the general air of comfort hanging over the rich Manawatu farmland.

Increased interdependence between town and country, producer and processor will benefit all sectors of the community.

Certainly, understanding of the relationship is growing. Continuing practical evidence will ensure the process maintains and expands its already vital contribution to the region.

Crops and areas, Manawatu: 1979

Crop	Area (hectares)
Barley	4300
Wheat	4000
Seeds	2000
Potatoes	1700
Peas	1100
Maize	1000
Oats	143
Total: all crops	14243

Rich rewards for shrewd sellers in property boom

THERE are some pretty heady tales circulating around Palmerston North these daya about tbe money to be ntade in the property market.

A quick glance through the local daily newspaper, the *Evening Standard*, shows what the top end of the reaidential market is doiog; $100,000 and over sales are common, $200,000 and over only sligbtly less so.

Further down the scale the market Is, according to one property watcher, "going mad".

Some of the stories:

- One small home unit, bought new three years ago for $33,000, Is now worth $70,000.
- A house bought 18 months ago for $31,000 is now worth $52,000, according to the land agent who approached the owner about selling.
- A house that cost $40,000 is now worth $65,000, after "a little blt of tidylog up".

Like other major centres, Palmerston North's residential property market seems to have shrugged off the torpor that surrounded house prices in the latter hslf of the 1970s.

Fortunes are now being made by speculators interested in the capital gains to be had; one local lobbyist — a fomily man with a secure job — is moving from house to house every few months.

"With the capital gains to be had, I'd be stupid to settle down in one house. There's plenty of time for that later," he says candidly.

While the property boom now under way is being experienced fairly broadly around New Zealand, there are some localised reasons for the latest nctivity In Palmerston North.

Probably the most significant has been the major construction programmes in the commercial, tertiary education and public buildings sector.

POPULATION FORECAST6

Year	Population	Households	Average No ot people per household
1971	57,065	16,556	3.45
1676	63,266	19,295	3.31
1661	69,798	21,611	3.21
1666	76,219	24,664	3.11
1691	62,326	27,360	3.03
1996	68,377	30,083	2.96

Activity in all three sectors has been high throughout the 1970s (see srticle un Polmerston North industrial development).

While helping the building industry — and the local community as a whole — cushion itself from the effects of the recession, houae building was necessarily neglected by the industry generally (a neglect reinforced by the general stand-off in residential property prices).

Even now, the value of public buildings and commercial/Industrial activity is more than twice thot of residential activity. At the beginning of last month, for instance, residential buildings worth $8.3 million were under construction in Palmerston North.

Commercial/industrial construction at the same time was worth $12.3 million and public buildings were worth another $5.4 million.

Between April 1 and July 31 this year, the city corporation granted building permits worth a totol of $10.3 million — an increase of nearly 75 per cent over the same period the previous year.

Included in that total were 92 new dwelling houses, 15 new business premises and 88 additions to existing business premises.

Thus a shortfoll in supply was bound to happen sooner or later.

The situation was nnt helped by the crash a year or so ago of a group of property developing companies. A substontial number of properties and sections have been locked up in litigation since, waiting legal solutions to creditors' demands and ownership tangles.

While locals discount the crash as a major reason for a shortfall in residential housing In the district, it certainly did not help ease the shortfall when it came.

Finally, the nature of the city as a centre for community, social and financial services helps to dictate property values.

Massey University, for instance, has a strong influence on property values through a wide price range. Well-heeled management ond professorial staff put demands on the upper level.

Lesa senior lecturing and technical staff want housing in the middle-price bracket. And the large student population wants flat accommodatloo, preferably large houses that can support bigger groups of flatting students.

One report notes: "It is impossible to know how many students remain in Palmerston North during the summer vacation and how many leave, but it seems reasonable to bypothesise that the proportion remaining in the city would be relotively low.

"Many of the courses taught at Massey require students to do practical work which may well take them out of the city, ond many students complete their studies in November and are not replaced till March the next year.

"This means that the total population of the city in June may be as much as 3000-4000 greater than in December. Obviously, in June the demand for accommodation will be such that many people will have to accept whatever accommodation they can find, regardless of its suitability.

"The large student population will also put up the prices of houses, particularly older houses. Since they seek these houses to rent and can afford a higher rent than a family could, old houses are a comparatively good investment for rental purposes.

"The effect of this is to force the price of old houses up, which in turn affects the whole of the bousing market."

Palmerston North's position as a large provincial centre makes it Ideally placed for middle management personnel on their way up the corporate ladder.

Trading banks, merchant banks, and a remarkable selection of insurance companies now have operations in the city. As such, it has become a major stepping-stone for these promotion-bound staff.

Says one local: "Bank managers and the like transfer in and out like flies. We (Palmerston North) are good up-the-ladder stuff for them; there's a very high turnover of senior servicing staff In Palmerston North."

Their access to cheap, transferable finance — like senior Government deportment staff — means they have no finance worries when they do transfer; rather, their lack of money difficulties places additional pressure on the property market.

Combined, these factors have all contributed to the current boom in Palmerston North. Houses valued at more than $50,000 are now said to be rising in price at the rate of $1000 a month.

Population forecasts indicate continuing demand for new housing. The forecast in the table is based on 1971 urbon populatioo figures and indicates potential housing demand.

While residential property Is leading the boom, the farming community is not far behind.

Farm volues in the Manawatu are also skyrocketing, according to local farming sources. Lond to the north of the city, stretching up the Rangitikei valley to Mangaweka, is coming under increasing pressure as its ability to produce higher-value crops and vegetables becomes recognised.

Elsewhere, the main boom is in the flatter farmland immediately surrounding Palmerston North itself.

Like the residential scene, there are some heady tales of capital gains to be made.

"Five years ago, $1000 an acre seemed a lot of money to pay for farmland," says one farming industry representative.

"Today, you can pay up to $3500 an acre as far away (from Palmerston North) as Shannon.

Says another: "Farm land is trading in some places for $4000 an acre for 25-acre blocks. One 10-acre block sold for $6600 an acre recently. And one recent farm sale fetched more than $1 million."

Pressure of this sort is largely coming from the townies — the "Rangitikei Street farmers" who have heard the glorious stories about their Queen Street counterparts in horticultural development.

Many of Palmerstoh North's medical fraternity, for example, have bought or invested lo farms. Horticulture is still attracting city capital and that trend will undoubtedly increase as the Kiwitea poteotial for such development gets wider recognition from investors.

Closer into Palmerston North, the traditional 10-acre blocks are the haven for rural retreaters, rather than serious capital or farm developers.

A recent survey of small farms sround the Manawatu showed a wide variety of use: sheep, beef, pigs, forestry, horticulture, goats and so on.

"All were higbly uneconomic units," notes one local farm industry leader sadly.

The survey showed that most of the owners had other secondary or ptimary employment.

Of the males, for example, 44 per cent were professional, technical or management people with occupations in the city or at Massey University.

With the ocean some considerable distance from Palmerston North, the idea of a 10-acre block appeals to many of the city's more affluent residents, who can support their return-to-the-earth instincts by quick and easy access to big city incomes.

Because of this, price pressure on the immediate rural surrounds are likely to increase.

"Proper farmers can't afford to buy that land now, anyway," bemoans one farmer.

For the moment, that situation does not apply to commercial or industrial land. However, increasing demand for commercial office space will place some pressure on commercial property prices within the next few years.

Industrial land is still plentiful ond local manufacturers do not expect rapid price rises in the near future, although some pressure could come from a higher demand for warehouse and storage space if Palmerston North's role os a major distribution centre is expanded.